

# **CAT STRATEGIC METALS CORPORATION**

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Six Months Ended June 30, 2020**

## **NOTE TO READERS**

The following is management's discussion in respect of the results of operations and financial position of Chimata Gold Corp. (the "Company" or "Chimata"), for the six months ended June 30, 2020 and should be read in conjunction with the Company's audited financial statements for the same period. The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and presented in Canadian dollars. Additional information, including the above mentioned financial statements, which contain extensive disclosure of the history and properties of the Company are available on SEDAR and may be accessed at [www.sedar.com](http://www.sedar.com).

## **FORWARD LOOKING STATEMENT**

*The information presented in this MD&A contains statements concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, "forward-looking statements" or "forward-looking information" (collectively "forward-looking statements") as those terms are used in the Private Securities Litigation Reform Act of 1995 and similar Canadian laws.*

*Such forward-looking statements, including but not limited to those with respect to the price of metals, the timing and amount of estimated future mineralization and economic viability of properties, capital expenditures, costs and timing of exploration projects, permitting timelines, title to properties, the timing and possible outcome of pending exploration projects and other factors and events described in this MD&A involve known and unknown risks, uncertainties and other factors such as general economic and business conditions, change in foreign currency exchange rates, and other factors, which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Since forward looking statements address future events and conditions, by their nature, they involve inherent risks and uncertainties. Readers should verify all claims and do their own due diligence before investing in any securities mentioned or implied in this document. Investing in securities is speculative and carries a high degree of risk.*

*These statements are based on management's current expectations and are subject to a number of uncertainties and risks that could cause actual results to differ materially from those described in the forward-looking statements. Forward-looking statements are based on management's current plans, estimates, projections, beliefs, and opinions and we do not intend nor do we undertake any obligation to update or revise any forward-looking statements whether written or oral that may be made by or on the Company's behalf should the assumptions related to these plans, estimates, projections, beliefs and opinions change, except as required by securities law. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward looking statements.*

<b><i>Forwarding looking statements</i></b>	<b><i>Assumptions</i></b>	<b><i>Risk factors</i></b>
<i>Management intends to further eliminate the working capital deficiency and to finance its operating costs with loans from related parties and or private placement of common shares.</i>	<i>Based on the past history of the Company, the Company was able to raise funds when needed through either private placement or debt financing</i>	<i>Change in interest rate, support by related parties, change in condition of capital market</i>

## DATE OF REPORT

The information in this report is presented as of August 5, 2020.

## ABOUT CAT STRATEGIC METALS CORPORATION (FORMERLY CHIMATA GOLD CORP.)

CAT Strategic Metals Corporation (formerly Chimata Gold Corp.) (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on November 16, 2010. The common shares of the Company began trading on TSX Venture Exchange (“TSXV”) on September 16, 2011 under the symbol “CAT”, and on the Frankfurt Exchange on July 29, 2014 under the symbol “8CH”. Effective June 14, 2018, the Company’s shares were transferred from TSXV to the Canadian Securities Exchange (“CSE”) under the symbol “CAT”. The decision to move the listing of its common shares from the TSXV to the CSE was taken by the Company as it deems that the CSE may be a more suitable stock exchange with respect to its development and its future expansion. Effective May 6, 2019, the Company’s shares were halted for trading due to corporate reorganization. The trading of the Company’s shares was subsequently resumed on May 6, 2020. The Company’s principal activity is the acquisition and exploration of mineral properties.

## CORPORATE OVERVIEW AND OVERALL PERFORMANCE

### Business Update

#### a) Trading Resumption

On May 6, 2020, the securities regulators in the Provinces of British Columbia and Ontario (the **Securities Commissions**) have granted a full revocation (the "**Revocation**") of the cease trade order issued by the British Columbia Securities Commission as the principal regulator on May 6, 2019 against the securities of the Company. The cease trade orders had been imposed by the Security Commissions for failure by the Company to file its required filings by the filing deadline as prescribed by applicable securities laws. Consequently, the Company resumes trading through the facilities of the Canadian Securities Exchange (the “CSE”) on May 6, 2020.

#### b) Corporate Reorganization

On January 24, 2020, the Company announced changes to the Company’s management team and Board of Directors. Mr. Richard Groome has resigned his positions as Director, Interim Chairman, CEO and President. Additionally, Alain Moreau has also resigned as a Director. Mr. Luis Martins and Mr. Robert Rosner remain on the Board as Directors, and also announce the following corporate changes: as of January 24, 2020, Mr. Robert Rosner will assume the roles of President & Chief Executive Officer, and Chairman of the Board of Directors. Mr. Rosner has resigned as Chief Financial Officer in favour of Mr. Steven Cozine, the Company’s Corporate Secretary, who has agreed to act as the Interim Chief Financial Officer as well as a Director of the Company.

Effective March 18, 2020, Ms. Diane Mann has been appointed to the Company’s Board of Directors and serves as an independent Director and also act as a member of CAT’s Audit Committee.

#### c) Zimbabwe Lithium Company (Mauritius) Limited

On February 14, 2018, the Company approved a binding Letter of Intent with Zimbabwe Lithium Company (Mauritius) Limited (“Zimbabwe Lithium”, or “ZIM”), a privately held company incorporated under the laws of Mauritius. Pursuant to the terms of the LOI, Chimata will subscribe to the share capital of ZIM for an initial subscription of 19% of ZIM’s share capital in exchange for the allocation by Chimata of an amount of shares representing 19% of its then issued and outstanding share capital to ZIM, such amount being calculated post-closing of the Concurrent Financing, as defined below, with right to further acquire the

remaining issued and outstanding share capital of ZIM upon the fulfilling of certain terms and conditions as set out in the LOI, the whole resulting in ZIM becoming a subsidiary of Chimata (the “Transaction”). ZIM will be focused on developing lithium mining properties and assets located in Zimbabwe (the “Assets”) held by ZIM and related companies wholly owned by ZIM’s principals, one of which having recently signed a joint-venture agreement with the Zimbabwe Mining Development Corporation (“ZDMC”) with respect to the grant of exclusive development rights for the Kamativi lithium tailings deposit at the Kamativi Tin mine, Matabeleland North Province, Zimbabwe. This tailings stockpile has been surveyed to give an estimated 23,168,000 metric tonnes of historical tailings material on surface.

#### First Amendment to LOI with Zimbabwe Lithium Project

On May 30, 2018, the Company and ZIM entered into the first amendment of the LOI (Note 4 (a)). The key amendments are summarized as follows: (i) US\$ 99,905 the remaining balance of the US\$ 500,000 advance from the Company to ZIM is required to be made within five business days from May 30<sup>th</sup>, 2018. Upon completion of the US\$ 99,905 advance, Phase I is deemed to be completed with the exception of the concurrent financing and both ZIM and the Company will enter into Phase II; (ii) The Company will work towards the completion of the Concurrent Financing, to a maximum of \$2,000,000 and to a minimum of \$1,800,000 whereby \$800,000 to be raised by the Company no later than July 30<sup>th</sup>, 2018 or two weeks from the date of completion and publication of the Estimate (Note 4(a)) whichever is the latter, and the remaining balance of \$1,000,000 to be raised by the Company no later than (a) August 30, 2018 or (b) six weeks from the date of completion and publication of the Estimate (Note 4(a)) whichever is the latter, and (iii) The Closing of the Definitive Agreement shall be completed no later than September 30, 2018.

On October 17, 2018, Chimata has entered into a definitive share exchange agreement (the “**Agreement**”) with ZIM. As per the terms of the Agreement, Chimata shall, pursuant to the first phase of the contemplated transaction, issue to ZIM shareholders an amount of 9,185,039 common shares from its share capital, representing an aggregate of nineteen percent (19%) of the current issued and outstanding share capital of Chimata, and in return, ZIM shall issue to Chimata 755 ZIM shares, representing an aggregate of nineteen percent (19%) of the current issued and outstanding share capital of ZIM.

On October 31, 2018, pursuant to a definitive share exchange agreement (the “**Agreement**”) with the existing shareholders of ZIM, CAT issued to ZIM shareholders an amount of 9,185,040 common shares from its share capital, representing an aggregate of nineteen percent (19%) of the current issued and outstanding share capital of Chimata. In return, ZIM issued to Chimata 755 ZIM shares, representing an aggregate of nineteen percent (19%) of the current issued and outstanding share capital of ZIM.

The second phase of the contemplated transaction has been triggered with the production of the Resource Estimate by ZIM in respect of the Kamativi Tailings (the “**Resource Estimate**”) published on September 20<sup>th</sup>, 2018. The results of this Resource Estimate in combination with the financing referenced below will determine the ultimate resulting shareholding of ZIM shareholders in Chimata which will be between 70 and 80 %. Concurrently, the second phase of the transaction will result in ZIM becoming a wholly owned subsidiary of Chimata and Chimata will then be entitled, through the joint venture entity, to the exclusive development rights for the Kamativi Tailings.

On January 9, 2019, the Company announced the signing of a Term Sheet between Transamine Trading S.A. (“Transamine”) and the Kamativi Tailings Company (Pvt) Ltd (“KTC”) for a USD \$9,500,000 finance and off-take facility for concentrate produced from the Kamativi Tailings Lithium Project (the “Project”). The key terms are as follows:

USD \$9,500,000 Million debt funding will be provided as a lump sum payment on completion of the relevant condition’s precedent by each of Transamine and KTC.

The tenor of the facility is in line with the construction project plan and allows sufficient time for repayment from free cash. The use of proceeds of the financing facility will be put toward the construction of the Phase 1 Processing Plant to be constructed for the Project and working capital. KTC will produce a +6% Li<sub>2</sub>O Spodumene concentrate to be sold to Transamine. Transamine will have the right to 150,000 tonnes of Concentrate produced from the Phase 1 Processing Plant. Commercial terms shall be agreed in line with the international market terms for +6% Li<sub>2</sub>O Spodumene concentrate.

On June 28, 2019, ZIM terminated the proposed reverse take-over transaction with the Company.

b) Troilus North

On October 12, 2017, the Company acquired a 100% undivided interest in the Troilus North Property. The property is made up of 139 contiguous claims totaling 7,502.6 hectares located 160 km north of the town of Chibougamau in the province of Quebec.

The total purchase price is two hundred and fifty thousand dollars (\$250,000) with an initial payment of \$25,000 due to the Vendor upon closing, \$25,000 due within ninety (90) days following signing of the Agreement, \$50,000 due on or before September 30, 2018, \$50,000 due on or before March 31, 2019, \$50,000 due on or before September 30, 2019, and \$50,000 due on or before March 31, 2020. In addition, the Company has granted a 1.5% Net Smelter Royalty to the Vendor; 0.5% of which can be repurchased by the Company for \$500,000.

On May 14, 2018, the Company received regulatory approval from the TSX Venture Exchange concluding the acquisition of a 100% undivided interest in the Troilus North Property.

On November 15, 2018 the Company announced since optioning the Troilus North Property to Emgold Mining Corporation (“Emgold”) in June 2018, Emgold had completed the C\$300,000 requirement in exploration expenditures on the Troilus North Property and had elected to move forward with acquisition of 100% ownership of the Property by accelerating the exercise of the First Option and Second Options together. As such, Emgold closed the 100% acquisition of the Property by completing the remaining requirements of the Definitive Agreement and Amendment, which required Emgold to issue 4.0 million additional common shares, make a cash payment of \$200,000 and grant a 1.0% NSR on the Property to the Company. Following the receipt of 6,000,000 share of Emgold, the Company owns an approximate 16.95% interest in Emgold. All the Company’s holdings in Emgold were sold during the first quarter of fiscal 2019.

The transaction described between the Company and Emgold was not a non-arm’s length transaction as the Company’s Chief Financial Officer is also acting as director of Emgold.

On December 9, 2019, the Company executed an assignment and assumption agreement with Emgold, whereby, the Company assigned the royalty agreement for the net smelter return interest in and to the production of minerals from the Troilus North Property to Emgold in consideration of cash payment of \$75,000.

On January 23, 2020, Troilus Gold Corp., the net smelter royalty payor consented to the transfer of the net smelter royalty recipient from the Company to Emgold.

c) BAM

On December 1, 2017, the Company acquired a 100% interest in the Bam mineral property. The property is comprised of 1052 hectares located in the Pacific Golden Triangle mining district approximately 80 Km south of Telegraph Creek in the Liard mining division of northwest British Columbia, Canada.

Under the terms of the purchase agreement, the Company will pay \$60,000 cash and issue six hundred thousand common shares to Bearclaw. The initial \$15,000 cash payment was provided to Bearclaw and

six hundred thousand common shares issued to Bearclaw on Nov 16, 2017 with a fair value of \$54,000 based on closing share price at \$0.09/share. The claims comprising the mineral property have been transferred to the Company. The balance of the cash payments will be provided in three equal installments of \$15,000 over a twelve-month period. Bearclaw will retain a 2% Net Smelter Royalty on the property, of which 1% may be purchased by the Company for \$1,000,000 at any time.

During the year ended December 31, 2019, the Company let its claims for the BAM Property lapse.

### Subsequent Events

On August 4, 2020 the Annual General Meeting of Shareholders of the Company was held whereby the Shareholders approved the election of Robert Rosner, Steven Cozine, Luis Martins, and Diane Mann to the Board of Directors, the appointment of Dale Matheson Carr-Hilton Labonte LLP, Chartered Professional Accountants, as the Company's auditors, and ratified the Company's 10% rolling stock option plan for the ensuing year.

### SELECTED QUARTERLY INFORMATION

The Company has not had any revenue from inception. The Company's past result of operation was not subject to seasonality. Management expects it will be difficult for the Company to obtain further equity or debt financing in the near future given that the current Canadian capital market is in a downturn for junior mining companies. The current resources on hand are not adequate for the Company to meet its long term business objective or to conduct any significant explorative activities to the existing mineral properties. In order to preserve cash on hands, management has decided to curtail the Company's operations and will not conduct significant exploration activities until the Company can secure resources to finance such exploration activities by obtaining additional (equity or debt) financing or other arrangement including joint-venture and farm-out arrangements.

The Company's information of the latest eight quarters is summarized as follows:

	2020		2019			2018		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Total assets	25,443	21,077	49,035	1,755,015	1,826,488	1,832,153	2,253,046	1,529,087
Revenue	-	-	-	-	-	-	-	-
Net income (Loss) and comprehensive income (loss)	(118,793)	5,521	(1,662,335)	(220,984)	(125,514)	(448,096)	169,192	(168,310)
Earnings (loss) per share, basic and diluted	(0.00)	(0.00)	(0.03)	(0.01)	(0.00)	(0.01)	(0.00)	(0.00)

During the quarter of September 30, 2018, the Company slowed down on spending on the exploration front and the recognition of a cost recovery of approximately \$35,000 related to the GST amount previously written in Fiscal 2017 upon receipt of the GST refund.

During the quarter of December 31, 2018, the significant increase in income was due to the recognition of the gain on sale of the Troilus North Property to Emgold Mining Corporation for \$755,000 offset by the current quarter operating expenses of \$528,692.

During the quarter of March 31, 2019, the significant increase in losses was due to the loss on sale of the

shares of Emgold Mining Corporation and the share of the 19% of the quarterly losses of Zimbabwe Lithium.

During the quarter of June 30, 2019, the losses were reduced due to the reduced level of activity related to the Zimbabwe Lithium transaction as the Company decided to terminate the next phase development of the Project.

During the quarter of September 30, 2019, the significant increase in losses was due to the share of the 19% of the quarterly losses of Zimbabwe Lithium.

During the quarter of December 31, 2019, the significant increase in losses was due to the impairment of the investment in Zimbabwe Lithium of \$1,388,197 and the loss of deemed disposition of the exploration and evaluation asset related to Zimbabwe Lithium of \$114,000.

During the quarter of March 31, 2020, the Company focused on corporate reorganization which resulted in further reduction of costs. The Company also recognized the revenue on the sale of the net smelter royalty on the Troilus North Property to Emgold Mining Corporation upon the consent of Troilus Gold Corp., the royalty payor on January 23, 2020.

During the quarter of June 30, 2020, the Company incurred regular officer monthly fees and continued to seek viable business project.

## **RESULTS OF OPERATION**

### **The Quarter Ended June 30, 2020 (“2020 Q2”) and 2019 (“2019 Q2”)**

During 2020 Q2, the Company had a loss of \$118,793 comparing to the \$125,514 loss in the same quarter of last year. The \$118,793 loss was mainly a combined result of incurring \$118,793 operating expenses (2019 Q2 - \$125,046), \$NIL equity loss on investment in associate (2019 Q2 - \$408), and \$NIL finance fees (2019 Q2 - \$60).

The operating expenses incurred in 2020 Q2 were mainly comprised of \$64,311 consulting fees (2019 Q2 - \$106,750), \$545 travel expense (2019 Q2- \$NIL), \$29,857 professional fees (2019 Q2 - \$16,113) and \$11,888 (2019 Q2 - \$NIL). The decrease of these operating expenses in 2020 Q2 comparing to 2019 Q2 was due to the resignation of the former CEO at the beginning of fiscal 2020.

### **Six months ended June 30, 2020 (“2020 Q2 YTD”) and 2019 (“2019 Q2 YTD”)**

During 2020 Q2 YTD, the Company had a loss of \$113,272 comparing to the \$573,610 loss in 2019 Q2 YTD. The \$113,272 loss was mainly a combined result of incurring \$188,332 operating expenses (2019 Q2 YTD - \$293,497) and \$75,000 gain on royalty stream (2019 Q2 YTD - \$NIL), \$NIL loss on sale of marketable securities (2019 Q2 YTD - \$260,785), and \$NIL equity loss on investment in associate (2019 Q2 YTD - \$19,158).

The operating expenses incurred in 2020 Q2 YTD were mainly comprised of \$104,311 consulting fees (2019 Q2 YTD - \$207,417), \$12,000 occupancy fee (2019 Q2 YTD - \$NIL), \$11,891 (2019 Q2 YTD - \$816) and \$35,862 professional fees (2019 Q2 YTD - \$51,324). The significant decrease of these operating expenses in 2020 Q2 YTD comparing to 2019 Q2 YTD was a result of the resignation of the former CEO at the beginning of fiscal 2020.

One-time event of recognition of the gain on disposition of the net smelter royalty rights on the Troilus North to Emgold Mining Corporation during 2020 Q1 in the amount of \$75,000 contributed to the gain in 2020 Q1.

The loss on sale of marketable securities for \$260,785 was related to the disposition of all the Company's holdings in the shares of Emgold Mining Corporation during 2019 Q2 YTD.

### **LIQUIDITY AND CAPITAL RESOURCES**

The Company is an exploration stage company and has not earned revenue from operating activities since inception. Financing of operations has been achieved by equity and debt financing. As at June 30, 2020, the Company had a cash balance of \$132, and working capital deficiency of \$761,294. The Company has no operations that generate cash inflow.

Management intends to finance its operating costs with non-current loans from related parties and or private placement of common shares.

While the Company has a history of financing its operation through debt or equity financing in the past, readers are cautioned that there are no guarantees that the Company can do so in the future.

The Company had cash outflow of \$10,529 from its operating activities during the 2020 Q2 which was mainly spent on exchange filing fees on resumption of the trading of the shares of the Company.

The Company had cash inflow of \$10,000 from its financing activities during the 2020 Q2 which were the proceeds from the loan advance from the President/CEO and the entity associated with the President/CEO of the Company.

The Company is not subject to external capital requirements and does not have capital commitment.

### **OFF BALANCE SHEET ARRANGEMENTS**

The Company does not have off-balance sheet arrangements.

### **PROPOSED TRANSACTIONS**

Company does not have any proposed transactions that have material impacts to the Company at this time.

### **OUTSTANDING SHARE DATA**

As of the date of this MD&A, the Company has 50,922,310 shares and 22,652,496 share purchase warrants outstanding. The Company has 1,870,000 share purchase options that are outstanding as at the date of this MD&A.

### **TRANSACTIONS WITH RELATED PARTIES**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel during the six months ended June 30, 2020 and 2019 was as follows:



	June 30, 2020	June 30, 2019
	\$	\$
Management and consulting fees	81,000	141,000
	81,000	141,000

On January 24, 2020, Mr. Richard Groome, the Company's Former Chief Executive Officer ("Ex-CEO") resigned from the role of the Chief Executive Officer of the Company. During the six months ended June 30, 2020, the Company incurred \$NIL (2019 - \$60,000) in consulting fees to Notre Dame Capital Inc. ("Notre Dame"), the entity controlled by the Company's Ex-CEO. On January 24, 2020, Notre Dame assigned its outstanding balance due from the Company to Notre Dame in the amount of \$105,000 to Structure Capital Consulting Ltd. ("Structure Capital"), an arms-length party.

On January 24, 2020, Mr. Robert Rosner, the Company's Former Chief Financial Officer assumed the role of the President and Chief Executive Officer ("CEO"), the Chairman of the Board and resigned from the role of the Chief Financial Officer of the Company. During the six months ended June 30, 2020, the Company incurred \$60,000 in consulting fees (June 30, 2019 - \$60,000) and \$6,000 in rent (June 30, 2019 - \$nil) to Pan Ocean Consulting Ltd. ("Pan Ocean"), the entity associated with the Company's CEO. Mr. Robert Rosner and Pan Ocean altogether made loan advances totalling \$10,000 to the Company during the six months ended June 30, 2020.

On January 24, 2020, Mr. Steve Cozine, the Company's Corporate Secretary assumed the role of the Interim Chief Financial Officer ("Interim CFO") and joined the board of the Company as director. During the six months ended June 30, 2020, the Company incurred \$21,000 (June 30, 2019 - \$21,000) in consulting fees to the Mr. Steve Cozine.

On January 24, 2020, Mr. Alain Moreau, one of the former directors resigned from the board and assigned the balance owed by the Company to Technologies Earth Metrix, an entity controlled by Mr. Alain Moreau in the amount of \$22,660 to Structure Capital.

As at June 30, 2020, the Company's accounts payable balances owing to the related parties include:

- \$62,981 (December 31, 2019 - \$5,875) owed to Mr. Robert Rosner, the Company's CEO including loan advance balance of \$15,625 and expense reimbursable balance of \$47,356;
- \$181,860 (December 31, 2019 - \$104,910) owed to Pan Ocean, the entity associated with the Company's CEO/Former-CFO including loan advance balance of \$1,350 and balance related to fees and expense reimbursement of \$180,510;
- \$51,450 (December 31, 2019 - \$29,400) owed to Mr. Steve Cozine; and
- \$NIL (December 31, 2019 - \$22,660) owed to Technologies Earth Metrix, an entity controlled by Mr. Alain Moreau, a former director of the Company;

The above balances are non-interest bearing, unsecured and due on demand.

- (a) The Company and Notre Dame, an entity controlled by Mr. Richard Groome, the Ex-CEO entered into a consulting agreement whereby the Company is committed to pay a monthly consulting fee of \$10,000 to Notre Dame over a term of 24 months commencing from February 1, 2018. The monthly consulting fee would be increased to \$20,000 upon successful completion by the Company of its first major acquisition of \$5,000,000 or greater in value. On January 24, 2020, this contract was terminated and all the outstanding amount due on the contract has been assigned to Structure Capital.
- (b) The Company and Pan Ocean, an entity associated with Mr. Robert Rosner, the Company's President, CEO (former CFO) and Chairman of the Board entered into a consulting agreement whereby the Company is committed to pay a monthly consulting fee of \$10,000 to Pan Ocean over a term of 23 months commencing from May 1, 2018. The monthly consulting fee will be increased to \$20,000 upon successful completion by the

Company of its first major acquisition of \$5,000,000 or greater in value. On January 1, 2020, the Company extended this consulting agreement to another 24 months under the same terms of the original agreement expiring on January 5, 2022.

### **CHANGES IN ACCOUNTING POLICIES**

Refer to the Note 3 to the Company's financial statements for the six months ended June 30, 2020 and audited financial statements for the year ended December 31, 2019.

### **FINANCIAL INSTRUMENTS**

Refer to the Note 11 of the Company's financial statements for the six months ended June 30, 2020 and the Note 12 to the Company's audited financial statements for the year ended December 31, 2019.

### **RISK FACTORS**

Risks of the Company's business include the following:

#### **Mining Industry**

The exploration for and development of mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration programs planned by the Company will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, as well as metal prices which are highly cyclical and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection.

The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. Mining operations generally involve a high degree of risk. The Company's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of ore, including unusual and unexpected geology formations, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas, which may result in environmental pollution and consequent liability.

The Company's mineral exploration activities are directed towards the search, evaluation and development of mineral deposits. There is no certainty that the expenditures to be made by the Company as described herein will result in discoveries of commercial quantities of ore. There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company will compete with other interests, many of which have greater financial resources than it will

have for the opportunity to participate in promising projects. Significant capital investment is required to achieve commercial production from successful exploration efforts.

### Government Regulation

The exploration activities of the Company are subject to various federal, provincial and local laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substance and other matters. Exploration activities are also subject to various federal, provincial and local laws and regulations relating to the protection of the environment. These laws mandate, among other things, the maintenance of air and water quality standards, and land reclamation. These laws also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste.

Although the Company's exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of exploration, mining and milling or more stringent implementation thereof could have a substantial adverse impact on the Company.

### Permits and Licenses

The exploitation and development of mineral properties may require the Company to obtain regulatory or other permits and licenses from various governmental licensing bodies. There can be no assurance that the Company will be able to obtain all necessary permits and licenses that may be required to carry out exploration, development and mining operations on its properties.

### Environmental Risks and Hazards

All phases of the Company's mineral exploration operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, 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 is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at present, which have been caused, by previous or existing owners or operators of the properties. The Company may become liable for such environmental hazards caused by previous owners and operators of the properties even where it has attempted to contractually limit its liability. Government approvals and permits are currently, and may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not obtained; the Company may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in 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 thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties. Production of mineral properties may involve the use of dangerous and hazardous substances such as sodium cyanide. While all steps will be taken to prevent discharges of pollutants into the ground water the environment, the Company may become subject to liability for hazards that cannot be insured against.

### Commodity Prices

The profitability of mining operations is significantly affected by changes in the market price of gold and other minerals. The level of interest rates, the rate of inflation, world supply of these minerals and stability of exchange rates can all cause significant fluctuations in base metal prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. The price of gold and other minerals has fluctuated widely in recent years, and future serious price declines could cause continued commercial production to be impracticable.

Depending on the price of gold and other minerals, cash flow from mining operations may not be sufficient. Any figures for reserves presented by the Company will be estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Market fluctuations and the price of gold and other minerals may render reserves uneconomical. Moreover, short-term operating factors relating to the reserves, such as the need for orderly development of the ore bodies or the processing of new or different grades of ore, may cause a mining operation to be unprofitable in any particular accounting period.

### Uninsured Risks

The Company may carry insurance to protect against certain risks in such amounts as it considers adequate. Risks not insured against include environmental pollution or other hazards against which such corporations cannot insure or against which they may elect not to insure.

### Conflicts of Interest

Certain of the directors of the Company also serve as directors and/or officers of other companies involved in natural resource exploration and development. Consequently, there exists the possibility for such directors to be in a position of conflict. Any decision made by such directors involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare, and refrain from voting on, any matter in which such directors may have a conflict of interest.

### Property Title

Although the Company has obtained title opinions with respect to certain of its properties, there may still be undetected title defects affecting such properties. Accordingly, such properties may be subject to prior

unregistered liens, agreements, transfers or claims, and title may be affected by, among other things, undetected defects which could have a material adverse impact on the Company's operations.

### Covid-19

Covid-19 has created business interruption and affected markets. Exploration activities were ceased by order government agencies in both Quebec and Nevada where Emgold works. Offices were also shut down and management had to work from home locations. Covid-19 has impacted current operations and may continue to impact future operations until such time as a vaccine is developed and widely distributed. The future impacts from Covid-19 are essentially unknown, as to whether it will ebb or resurge and whether economic impacts will improve or worsen.

## **FINANCIAL AND DISCLOSURE CONTROLS AND PROCEDURES**

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they make. Investors should be aware that inherent limitations on the ability of the Company's certifying officers to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

In connection with Exemption Orders issued in November 2007 and revised in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

In contrast to the certificate under National Instrument ("NI 52-109") (Certification of Disclosure in Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

## **OFFICERS AND DIRECTORS**

Robert Rosner	President, CEO and Chairman of the Board since January 24, 2020, CFO since March 27, 2017 to January 24, 2020 and Director since March 27, 2017; Secretary from March 27, 2017 to December 1, 2017
Steve Cozine	Interim CFO since January 24, 2020 and Secretary since December 1, 2017
Luis Martins	Director
Diane Mann	Director since March 18, 2020