



GUYANA GOLDFIELDS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") provides information management believes is relevant to assessing and understanding the consolidated financial condition and results of operations of Guyana Goldfields Inc. and its subsidiaries (the "Company", "we", "our" or "us") for the years ended December 31, 2019 and 2018. This MD&A should be read in conjunction with our audited consolidated financial statements and related notes for the years ended December 31, 2019 and 2018 which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A contains certain forward-looking statements. Refer to "Cautionary Note Regarding Forward-Looking Statements" in this MD&A. For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if such information significantly affects or would be reasonably expected to have a significant effect on the market price or value of our securities.

Additional information relating to us, including our annual information form for the financial year ended December 31, 2019, is available on SEDAR at www.sedar.com. We are a reporting issuer under applicable securities legislation in each of the provinces of Canada and our outstanding common shares are listed on the Toronto Stock Exchange under the symbol "GUY".

Certain non-IFRS measures are included in this MD&A. The Company believes that these measures provide investors an improved ability to evaluate the underlying performance of the Company. The non-IFRS measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The non-IFRS measures do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to other issuers. See "Non-IFRS Performance Measures".

Results are reported in United States dollars, unless otherwise noted. Due to rounding, the sum of all the quarters may not add to the annual total and per ounce figures may not calculate based on the amounts presented. Information contained herein is presented as at May 7, 2020 unless otherwise indicated.

BUSINESS OVERVIEW

We are a Canadian-based company engaged in the investment, acquisition, exploration, development and operation of mineral property interests, principally gold resource properties in Guyana, South America. Our primary focus is the production of gold from our 100% owned Aurora Gold Mine (“Aurora”).

We also hold prospecting licenses covering 149,468 acres and the beneficial rights to a total of 101 medium scale mining permits and 7 medium scale prospecting permits covering 111,765 acres, contiguous with and surrounding our Aurora mine property. These licenses are subject to a net smelter return royalty (“NSR”) that varies from 1.5% to 2% or fixed payments in lieu thereof at our option.

2019 YEAR IN REVIEW

In 2019, we were faced with many challenges, both from an operational and management perspective. We began the year having yielded lower than anticipated grades in the latter part of 2018, which resulted in the Company issuing a new NI 43-101 Technical Report on March 29, 2019 (“2019 LOM Plan”). The mine plan in this report was then superseded by an Optimized 2019 LOM Plan (“Optimized Plan”) which was disclosed on April 30, 2019.

The Company released its third quarter results on October 30, 2019 and announced that full year production was expected to be below previously provided guidance and that unit costs were expected to be in line with the third quarter year-to-date actual costs. At the same time, management announced that it had initiated a comprehensive mine, production and cost savings plan review to make the necessary changes and improvements to increase productivity and profitability. Roscoe Postle Associates Inc. (“RPA”) was appointed to assist in this review and to build on the prior work conducted.

The significant and ongoing reviews of mine plans during the year negatively impacted our ability to practically implement a plan at the mine site leading to lower than anticipated productivity performance, the mining of satellite ore bodies with mixed success, and the processing of ore from low grade stockpiles.

The year also commenced with a requisition for a Special Shareholder Meeting, made by a group of dissident shareholders, led by the former executive chairman of Guyana Goldfields Inc. The Company ultimately reached a settlement with the dissidents, which included certain changes to the Board, and a succession plan for the replacement of Scott Caldwell as CEO of the Company.

SENIOR LEADERSHIP CHANGES

- On November 25, 2019, we announced the appointment of Alan Pangbourne as our President and Chief Executive Officer, effective January 1, 2020. Mr. Pangbourne replaced Interim Chief Executive Officer, Allen Palmiere, who assumed leadership on July 30, 2019 after we announced that Scott Caldwell had stepped down as our President and Chief Executive Officer.
- On July 22, 2019, we announced the appointment of Leon Binedell as Chief Financial Officer effective August 26, 2019, replacing Paul Murphy who had been on medical leave of absence commencing November 6, 2018 and whose departure was announced on February 8, 2019. Christopher Stackhouse served as Interim CFO from November 2018 through August 2019.
- Suresh Kalathil served as Senior Vice President and Chief Operating Officer (COO) from March 1, 2019 until March 5, 2020. Upon Mr. Kalathil’s departure, the Company announced that it was not planning to fill the position of COO, as the CEO would be taking on direct leadership of the operating team on site.
- The Company’s Senior Leadership Team currently includes: Alan Pangbourne, President and CEO; Leon Binedell, CFO; Perry Holloway, Senior Vice President, Strategy & Corporate Affairs and Lisa Zangari, Chief Talent and Compliance Officer.

2019 OPERATIONAL HIGHLIGHTS

OPERATIONAL PERFORMANCE

As outlined above, 2019 was a difficult year from an operational point of view with the mine struggling to maintain a sufficient and steady supply of high-grade Rory's Knoll ore, resulting in low grade ore being added from stockpiles and ore being mined from the satellite orebodies to feed the plant. This was compounded by the narrow pushbacks constraining and leading to small, congested mining areas. This resulted in:

- **Gold production** of 28,300 ounces in the fourth quarter of 2019 and 124,200 ounces for the year ended December 31, 2019¹. This compares to 39,100 for the fourth quarter of 2018 and 150,400 ounces for the year ended December 31, 2018, representing a 28% and 17% decrease respectively for the comparative quarter and year.
- **Fourth quarter gold sales** of 26,500 ounces produced from open pit at a total cash cost (before royalty)² of \$1,387 per ounce of gold sold and All-in Sustaining Costs² ("AISC") of \$1,584 per ounce. This compares to gold sales of 37,450 ounces for the fourth quarter of 2018 at a total cash cost before royalty of \$719 and AISC of \$1,185 per ounce. Cost of sales on a per ounce basis followed the same trend, increasing from \$1,098/oz to \$1,909/oz.
- **Full year 2019 gold sales** of 126,500 ounces from open pit mining at a total cash cost (before royalty) of \$1,025 per ounce of gold sold, an increase of 44% over 2018 and "AISC" of \$1,490 per ounce, representing a 36% increase over 2018. Cost of sales per ounce were \$1,499 per ounce for 2019, a 47% increase as compared to \$1,020 per ounce for 2018.
- **Mining rates** averaged 39,800 tonnes per day ("tpd") during the fourth quarter, representing a 42% decrease in the mining rates compared to the fourth quarter of 2018 due to mine sequencing, pit constraints imposed by smaller benches and reduced working faces and a focus on ore release from Rory's Knoll. Mining rates averaged 52,500 tpd in 2019, an increase of 3% compared to the mining rate in 2018, partly reflecting the higher waste stripping required to access ore.
- **Fourth quarter and annual 2019 mill performance** of 7,200 tpd and 7,300 tpd, respectively. This is in-line with 7,100 tpd and 7,000 tpd in the comparable periods in 2018.

FINANCIAL PERFORMANCE

- Despite higher average realized gold prices both for the quarter and year ended December 31, 2019, revenues for the fourth quarter and for the year ended December 31, 2019 were \$38.9 million and \$174.2 million respectively, 16% and 7% lower respectively, as compared to 2018 due to the significant decrease in ounces produced and sold as discussed above.
- In respect of the fourth quarter of 2019, impairment indicators were identified and after estimating the recoverable amounts, we have recognized a non-cash impairment charge of \$235.0 million in the audited consolidated financial statements. The main indicators of impairment were the ongoing challenges in achieving an optimized sequence of mining and waste development in the open pit, as well as the decline in our market capitalization below carrying value.
- Higher costs both in the quarter and for the year ended December 31, 2019, led to lower net earnings compared to 2018. Excluding the non-cash impairment charge of \$235.0 million taken in respect of the fourth

¹ Included in 2019 figures are 1,500 ounces from our Mad Kiss underground project for the fourth quarter and 1,600 ounces for the year

² This is a non-IFRS measure. Refer to "Non-IFRS Performance Measures" section in this MD&A, which includes a quantitative reconciliation to the most directly comparable measure under IFRS.

quarter of 2019, we had a net loss of \$10.2 million in the quarter and \$28.4 million for the year ended December 31, 2019. This compares to a net loss of \$2.0 million in the fourth quarter and \$5.4 million net income for the comparative periods in 2018.

- We ended the year with cash and cash equivalents of \$22.1 million, \$59.9 million lower than the \$82.0 million reported as at December 31, 2018. Cash was largely utilized in a \$40 million repayment of the debt facility and in ongoing waste development, principally during the second half of 2019 when we experienced low ore release and consequentially, lower revenues from gold sales. Cash and cash flow generated from operations is now expected to be insufficient to fund the necessary planning work, stripping for the next phase of the open pit and underground development for 2020. Due to this funding shortfall and the proposed transaction as outlined below, planning for these activities can only recommence when and if such transaction is completed.

2020 OUTLOOK

PROPOSED TRANSACTION

On April 26, 2020, the Company entered into a definitive arrangement agreement (the “Arrangement Agreement”) with Silvercorp Metals Inc. (“Silvercorp”) whereby Silvercorp will acquire all of the issued and outstanding common shares of the Company not already owned by Silvercorp pursuant to a court-approved plan of arrangement (the “Arrangement”) under the *Canada Business Corporations Act* (the “CBCA”). Under the terms of the Arrangement Agreement, the holders of common shares of the Company other than Silvercorp (“Shareholders”) will have the option to receive, for each Company common share held, C\$0.60 in cash or 0.1195 of a Silvercorp common share (valued at C\$0.60 based on the volume-weighted average trading price (“VWAP”) for Silvercorp’s common shares for the 20 trading days ended April 24, 2020), subject to a maximum cash consideration of C\$33.2 million.

If all Shareholders elect to receive cash, the consideration for each common share will consist of C\$0.20 in cash and 0.0796 of a Silvercorp common share (valued at C\$0.40 based on the VWAP for Silvercorp’s common shares for the 20 trading days ended April 24, 2020). Upon completion of the Arrangement and assuming the maximum cash consideration, the Company’s Shareholders will collectively own 7.1% of Silvercorp’s pro forma basic common shares outstanding.

The Arrangement will require: (i) the approval of 66⅔% of the votes cast by Shareholders in favour of the Arrangement; (ii) obtaining court and regulatory approvals; and (iii) other customary closing conditions for a transaction of this nature to be satisfied or waived.

The Arrangement Agreement provides for customary deal protection provisions including, among other things, a non-solicitation covenant on the part of the Company (subject to customary “fiduciary out” provisions), notification rights and a right of Silvercorp to match any competing offer that constitutes a Superior Proposal (as defined in the Arrangement Agreement). Silvercorp will be entitled to a C\$3.65 million termination fee payable by the Company if the Arrangement Agreement is terminated in certain circumstances as set out in the Arrangement Agreement (the “Termination Fee”). Silvercorp is also entitled to reimbursement of costs and expenses incurred by Silvercorp if the Arrangement Agreement is terminated in certain other specified circumstances.

In addition, also on April 26, 2020, Silvercorp, as lender and the Company, as borrower, entered into a \$15.0 million bridge loan facility (the “Bridge Loan Facility”) with an interest rate of 12.0% per annum (or, on the occurrence of certain triggering events, 14% per annum) to fund the Company’s expected liquidity shortfall between the signing of the Arrangement Agreement and the closing of the Arrangement. The maturity date of the

loan pursuant to the Bridge Loan Facility is the earliest to occur of: (i) September 30, 2020; (ii) in the event the Arrangement Agreement is terminated in accordance with its terms for any reason other than as a result of the failure of the Company to obtain the required Shareholder approval, the later of (a) September 30, 2020 and (b) the 120th day after such termination of the Arrangement Agreement; and (iii) such earlier date on which the entire outstanding principal balance of the loans, together with all unpaid interest, fees, charges and costs become due and payable under the loan, including without limitation, in connection with a termination by Silvercorp as lender due to a breach by the Company of the Arrangement Agreement. The loan is secured by (i) all of the Company's present and future assets, and (ii) a pledge of the shares of the Company's indirect 100% owned subsidiary AGM Inc. ("AGM") and its immediate parent company, Aurora Gold (Barbados) Inc. The Company's ability to borrow under the Bridge Loan Facility is subject to the prior completion of certain customary conditions.

In certain circumstances, including circumstances in which the Termination Fee becomes payable under the Arrangement Agreement, the loan would be subject to a prepayment premium in the amount of 3.5% of the total outstanding principal.

Silvercorp has also entered into voting support agreements with each director and officer of the Company pursuant to which such directors and officers have agreed to, among other things, vote their Company shares (including any Company shares issued in exchange for securities convertible or exchangeable into Company shares) in favour of the Arrangement. A copy of the Arrangement Agreement, the Bridge Loan Facility agreement and the voting support agreements are available on the Company's SEDAR profile at www.sedar.com.

There can be no certainty that the Arrangement will be completed. See "Risk Factors – Transaction Completion Risk".

LIFE OF MINE PLAN UPDATE

In the first quarter of 2020, we reviewed a significant number of mine plans and scenarios to find a mine sequence with continuous ore release while maintaining high safety standards and concluded that these objectives were not achievable in tandem. As a result of work done in our comprehensive review, we discontinued the prior strategy of implementing smaller mining benches and narrow pushbacks with two concurrent mining phases, one directly above the other and announced on February 25, 2020, that waste stripping would need to be suspended temporarily to safely allow ore production from the bottom of the current pit. As a consequence of the suspension of waste stripping, we announced that the next phase of ore production from the open pit would be delayed for between four to six months, resulting in limited ore supply starting in the second quarter of 2020, while mining is focused on waste stripping.

The RPA developed life of mine plan (the "New LOM Plan") as disclosed in the Technical Report dated March 31, 2020 (effective date December 31, 2019) (the "Technical Report") incorporated the results of our comprehensive review, and is considered the most practical plan to pursue in the near term as it requires the lowest funding requirement given the open pit constraints and delivers the highest overall net present value. The New LOM Plan, including the production schedule, capital cost estimates and mine economics, was developed before the onset of the COVID-19 worldwide pandemic, and does not take into account any potential delays, deferrals, reduced productivity, country closures, or other constraints on operations or financing that may arise from the rapidly changing world reaction to the virus (see "Risk Factors – COVID-19 Pandemic"). In the New LOM Plan, waste stripping was planned to commence in May 2020 to access the next open pit phase, known as Rory's Knoll phase 5. The New LOM Plan does not account for delays due to COVID-19 and the Company's efforts to secure financing as disclosed in our February 25, 2020 announcement. The delay in the commencement of waste stripping will result in a delay in ore production from expected production for 2020 based on the New LOM Plan. A delay of more than a quarter will result in no further production from the open pit in 2020 beyond the completion of the current Rory's Knoll Phase 4, which is estimated to produce a total of approximately 35,000 to 45,000 ounces in the first half of 2020.

Given the current travel restrictions and the funding gap for the next phase of the mine plan, the next phase of mine development will not proceed as planned until and assuming these restrictions are lifted. This will result in a period of care and maintenance at site once Rory’s Knoll Phase 4, satellite ore sources and stockpiled ore are depleted in the second quarter of 2020.

The period of care and maintenance will result in cessation of mining related activities, including waste stripping for the open pit and advancement of the underground development project. The site will continue to be maintained and environmental risks managed to ensure safety and security of the mine until operations can be resumed. Such period of care and maintenance will entail additional costs and delays that have not been included in the New LOM Plan.

UNDERGROUND DEVELOPMENT PROJECT

As announced on March 18, 2020, as a result of COVID-19 related travel restrictions in and out of Guyana, the Company has temporarily suspended underground development. Total development meters reached 1,156 meters prior to work being suspended. As such, any prolonged delay in recommencing the underground development would have a potential material impact on the planned commencement of the underground mine development and underground ore production as envisioned in the New LOM Plan. Prior to the temporary work stoppage, mining of the west side of the first stope on the N25/50 level was completed and a total of 8,700 tonnes of ore were extracted by March 18, 2020.

The Company has made progress on the underground, and submitted an updated Environmental and Social Impact Assessment to Guyana’s Environmental Protection Agency (“EPA”) as required, in the first quarter 2020 and believes it is on target to receive the required environmental approvals from the EPA in 2020, well ahead of the planned commencement of underground ore mining from Rory’s Knoll. Early in 2020, we also obtained the necessary governmental approvals to blast underground without restrictions which once implemented should allow an acceleration in underground development. See “Risk Factors - Environmental Risks and Hazards”.

The tables below outlines some of the key milestones and activities related to the underground project as contemplated by the New LOM Plan. The milestones, capital cost estimates and expected timing for completion do not take into account any potential delays, deferrals, reduced productivity or other constraints on operations that may arise, including in connection with a period of care and maintenance. Such milestones and activities also assume that the Company will have available the funds to satisfy the capital costs, which cannot be assured. As the mine will be temporarily put on care and maintenance, the estimated capital costs and start date for these activities will be impacted. For significant barriers that may delay the expectations below, please see “Risk Factors”, including but not limited to: “Covid-19 Pandemic”, “Transaction Completion Risk” and “Additional Capital”.

Milestone	Expectation	Comments
Environmental Approval from EPA for Underground Mining	3-6 months from submission of ESIA	Submitted to EPA in February 2020, currently under review
Mobilization of Contractor for Underground development	3 months from commitment	Bids received and evaluated

Key Activity	Expectation	Estimated Capital Costs (\$ millions) (includes 20% contingency)
Completion of Key Engineering work	9-12 months	\$3.5
First Development ore from Rory's Knoll	12-14 months	\$52.0
Commercial Production for Underground	24 months	\$85.0
Total initial Capital ³		\$140.5

The above milestones and key activities are based on the New LOM Plan as provided in the Technical Report and do not factor in delays or cost variances related to care and maintenance as outlined above.

FIRST QUARTER ENDED MARCH 31, 2020

During first quarter of 2020, we mined 1.9 million tonnes of material at an average daily rate of 21,200 tpd, a significant reduction from Q4 2019 predominately due to the suspension of waste stripping above the lower benches in the Rory's Knoll pit as described above. The majority of mining was focused in the Rory's Knoll pit which in the latter part of the quarter and due to the very tight constrained mining areas rates, continued to drop. As previously stated, we still expect ore supply from the mine to cease in the second quarter. During the quarter, the mill processed 6,300 tpd which was predominately all hard rock from Rory's Knoll. The mill feed grade was 1.66 g/t with a recovery of 92.1%, both of which were slight improvements over the previous quarter. This resulted in gold production of 28,100 in the quarter which was in line with the fourth quarter 2019 production of 28,300 ounces, but lower than the 36,600 ounces produced in the first quarter of 2019.

³ Initial capital includes those categories of expenditures which are required to access the underground ore body and bring the underground mine to commercial production, as determined by RPA and includes a 20% contingency.

MINERAL RESERVES & MINERAL RESOURCES AND LIFE OF MINE PLAN

On March 27, 2020 we announced the results of an updated Mineral Resources and Mineral Reserves estimate and an updated life of mine plan with estimated total gold contained in Proven and Probable Mineral Reserves of 2.24 million ounces and estimated total gold contained in Measured and Indicated Mineral Resources (inclusive of Mineral Reserves) of 3.82 Moz, representing a 2% reduction in contained gold in year-over-year total Mineral Reserves.

SUMMARY OF ESTIMATED MINERAL RESERVES – DECEMBER 31, 2019

Category	Tonnage (000 t)	Grade (g/t Au)	Contained Metal (000 oz Au)
Proven			
Open Pit	1,762	2.11	120
Underground	-	-	-
Surface Stockpiles	118	0.85	3
Total Proven	1,880	2.03	123
Probable			
Open Pit Saprolite	32	2.8	3
Open Pit Fresh	651	2.46	52
Underground	23,289	2.75	2,063
Total Probable	23,972	2.75	2,118
Proven & Probable			
Open Pit	2,445	2.21	174
Underground	23,289	2.75	2,063
Surface Stockpiles	118	0.85	3
Total Proven & Probable	25,852	2.70	2,240

1. Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”) (2014) definitions were followed for Mineral Reserves.
2. Open pit Mineral Reserves are estimated at a cut-off grade of 0.93 g/t Au for saprolite and 0.94 g/t Au for fresh rock at Rory’s Knoll and 0.98 g/t Au for Aleck Hill.
3. Underground Mineral Reserves are estimated at a cut-off grade of 1.70 g/t Au for Rory’s Knoll, 2.5 g/t Au for East Walcott, and 2.2 g/t Au for the Mad Kiss and Aleck Hill satellite deposits.
4. Mineral Reserves are estimated using an average long-term gold price of US\$1,200 per ounce.
5. Open pit Mineral Reserves used a minimum mining width of 5 metres.
6. A minimum mining width of 3 metres was used for the underground satellite deposits. Dilution at Mad Kiss and Aleck Hill is based upon the addition of 0.5 metres on the hanging wall and the footwall
7. Bulk density is 2.8 t/m³ for fresh mineralization and 1.73 t/m³ for saprolite mineralization.
8. Numbers may not add due to rounding.

Open pit and underground Mineral Reserves were estimated using a \$1,200/oz gold price (the same as the December 31, 2018 estimate), incorporating updated and supportable operating cost assumptions, pit slope

angles, underground development rates, dilution and mining loss factors, gold recovery and mining constraints. Final designs were developed to optimize mine design parameters and ore production schedules.

Underground Mineral Reserves were estimated for portions of the Rory's Knoll, East Walcott, Aleck Hill and Mad Kiss deposits. Estimated Mineral Reserves included dilution and extraction factors, variable minimum mining widths depending on the deposit, and cut-off grades based on operating cost assumptions and a \$1,200/oz gold price.

The mining method planned for all the deposits remains the same as the 2019 Plan with underground ore at Rory's Knoll extracted via sub level caving, which allows for not only low cost, high tonnage mining underground, but also ensures that the internal higher-grade mineralization in the diorite pipe is recovered.

The 2019 Mineral Reserve estimate resulted in a 2% reduction in contained gold ounces compared to estimated 2018 Mineral Reserves, with a shift of approximately 332,000 ounces to the underground mine from the open pit. Depletion corresponding to the 2019 gold production of 124,200 ounces was partially offset by conversions of resources into reserves from infill drilling at some of the satellite orebodies and Inferred Mineral Resources that were mined concurrently with Proven and Probable Mineral Reserves, especially from the satellite pits.

COMPARISON OF CURRENT AND PREVIOUS MINERAL RESERVE ESTIMATES

		Dec 31, 2019	Dec 31, 2018	Change
Open Pit				
Tonnes	(000 t)	2,445	6,131	(3,686)
Grade	(g/t Au)	2.21	2.61	(0.40)
Contained Metal	(000 oz Au)	174	515	(341)
Underground				
Tonnes	(000 t)	23,289	20,038	3,251
Grade	(g/t Au)	2.75	2.69	0.06
Contained Metal	(000 oz Au)	2,063	1,731	332
Surface Stockpiles				
Tonnes	(000 t)	118	784	(666)
Grade	(g/t Au)	0.85	1.24	(0.39)
Contained Metal	(000 oz Au)	3	31	(28)
Total Proven & Probable				
Tonnes	(000 t)	25,852	26,953	(1,101)
Grade	(g/t Au)	2.70	2.63	0.07
Contained Metal	(000 oz Au)	2,240	2,277	(37)

The Mineral Resources, which are inclusive of Mineral Reserves, were estimated as at December 31, 2019 based on a gold price of \$1,500/oz (the same as the December 31, 2018 estimate). Estimated Measured and Indicated Mineral Resources total 37.6 million tonnes grading 3.15 g/t Au and containing 3.82 million ounces of gold. In addition, estimated Inferred Mineral Resources total 25.9 million tonnes grading 2.28 g/t Au and contain 1.90 million ounces of gold.

SUMMARY OF ESTIMATED MINERAL RESOURCES – DECEMBER 31, 2019

Category	Tonnage (Mt)	Grade (g/t Au)	Contained Metal (000 oz Au)
Open Pit			
Measured	2.0	2.47	161
Indicated	0.8	2.85	76
Measured & Indicated	2.9	2.58	237
Inferred	0.2	2.82	17
Underground			
Measured	1.7	3.25	178
Indicated	33.1	3.20	3,402
Measured & Indicated	34.8	3.20	3,580
Inferred	25.8	2.28	1,884
Total Mineral Resource			
Measured	3.7	2.82	339
Indicated	33.9	3.19	3,477
Measured & Indicated	37.6	3.15	3,816
Inferred	25.9	2.28	1,901

1. CIM (2014) definitions were followed for Mineral Resources.
2. Open pit Mineral Resources are reported at a cut-off grade of 0.52 g/t Au for saprolite and 0.70 g/t Au for fresh rock, and underground Mineral Resources are reported at a cut-off grade of 1.2 g/t Au for Rory's Knoll area, and 1.7 g/t Au for other areas. Cut-off grades are based on a price of US\$1,500 per ounce of gold and gold recoveries dependent on mine method, material type, and/or location.
3. Minimum mining widths of 5 metres for open pit and 3 metres for underground were used.
4. Bulk density is 2.8 t/m³ for fresh mineralization and 1.73 t/m³ for saprolite mineralization.
5. Mineral Resources are inclusive of Mineral Reserves.
6. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
7. Numbers may not add due to rounding.

For additional details, please refer to the press release dated March 27, 2020, and the NI-43-101 Report dated March 31, 2020 available on the Company website and filed on www.sedar.com.

2019 KEY PERFORMANCE DRIVERS & TRENDS

The price of gold is the largest single factor in determining our profitability and cash flow from operations. Historically, the price of gold has been subject to volatile price movements over short periods of time and is affected by numerous macroeconomic and industry factors that are beyond our control. Major influences on the gold price include currency exchange rate fluctuations and the relative strength of the U.S. dollar, the supply of and demand for gold and macroeconomic factors such as the level of interest rates and inflation expectations and the political and economic conditions of major gold-producing and gold-consuming countries throughout the world.

During 2019, two overarching themes lent support to the precious metals sector, including the move by various Central Banks to continue with or to project interest rate cuts, resulting in reduced bond yields as well as a general move away from risk and increased appetite for safe-haven assets such as gold. Significant events during the year that supported a movement away from risk included trade negotiations between the United States and China, geopolitical uncertainty surrounding Brexit, the air attack on Saudi Arabia’s largest oil facility, unrest amongst the populace in Hong Kong and impeachment proceedings against the President of the United States. In early 2020, the gold price has continued to increase, reaching a multi-year high, impacted largely by the COVID-19 pandemic.

The price of gold over the last eight quarters based on the London Metal Exchange (“LME”) PM Fix is summarized in the chart below. The average market price of gold on the LME was \$1,482 per ounce and \$1,392 per ounce for the fourth quarter of 2019 and full year 2019, respectively. The fourth quarter average market price of Gold on the LME was in-line with the gold price of \$1,485 per ounce in the prior quarter. Subsequent to December 31, 2019, the price of gold has primarily been in a trading range between \$1,474 per ounce and \$1,742 per ounce.



Other key performance drivers include production volumes and costs, which are further discussed on the following pages.

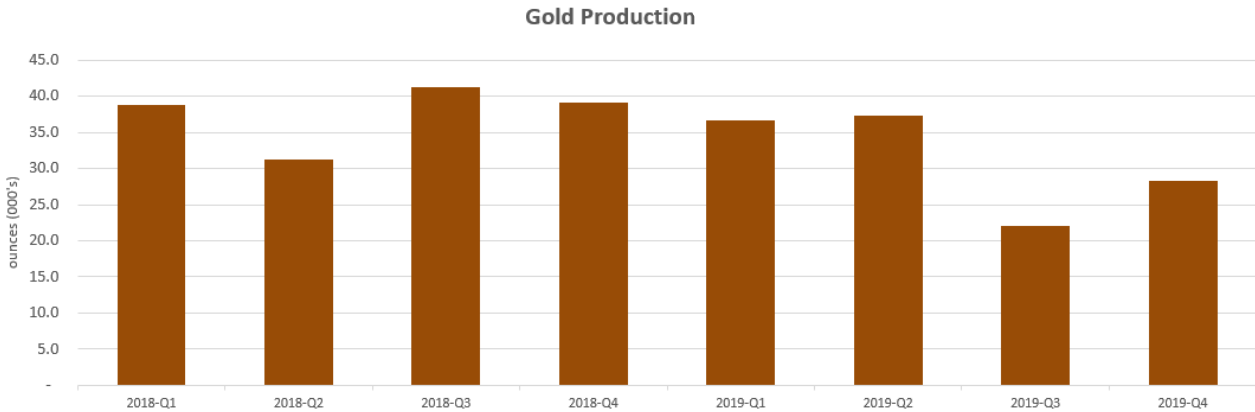
2019 OPERATING RESULTS

KEY OPERATING STATISTICS

		Three months ending December 31		Years ending December 31	
		2019	2018	2019	2018
Ore mined (open pit)	<i>tonnes ('000s)</i>	501	913	2,022	2,464
Waste mined (open pit)	<i>tonnes ('000s)</i>	3,162	5,455	17,144	16,242
Total mined (open pit)	<i>tonnes ('000s)</i>	3,663	6,368	19,166	18,706
Ore mined (underground)	<i>tonnes ('000s)</i>	14	-	14	-
Total tonnes mined	<i>tonnes ('000s)</i>	3,677	6,368	19,180	18,706
Total tonnes mined per day	<i>Tpd</i>	39,800	69,200	52,500	51,200
Open pit strip ratio	<i>waste:ore</i>	6.3	6.0	8.5	6.6
Ore processed (open pit)	<i>tonnes ('000s)</i>	651	657	2,649	2,555
Ore processed (underground)	<i>tonnes ('000s)</i>	14	-	14	-
Total ore processed	<i>tonnes ('000s)</i>	665	657	2,663	2,555
Tonnes processed per day	<i>Tpd</i>	7,200	7,100	7,300	7,000
Head grade	<i>g/t Au</i>	1.45	2.03	1.61	1.99
Recovery	<i>%</i>	91.3	91.1	90.3	92.0
Gold produced (open pit)⁴	<i>Ounces</i>	26,800	39,100	122,600	150,400
Gold produced (underground)	<i>Ounces</i>	1,500	-	1,600	-
Total gold produced	<i>Ounces</i>	28,300	39,100	124,200	150,400
Gold sold (open pit)	<i>Ounces</i>	26,500	37,450	126,500	148,350
Gold sold (underground)	<i>Ounces</i>	1,500	-	1,500	-
Total gold sold	<i>Ounces</i>	28,000	37,450	128,000	148,350
Average realized gold price	<i>\$/ounce</i>	1,483	1,244	1,382	1,266
Cost of sales	<i>\$/ounce</i>	1,909	1,098	1,499	1,020
Cash costs before royalty	<i>\$/ounce</i>	1,387	719	1,025	712
AISC	<i>\$/ounce</i>	1,584	1,185	1,490	1,097

⁴ Change in definition of calculating and reporting gold produced effective January 1, 2019. Refer to "Gold Produced – Change in Definition" section of this MD&A.

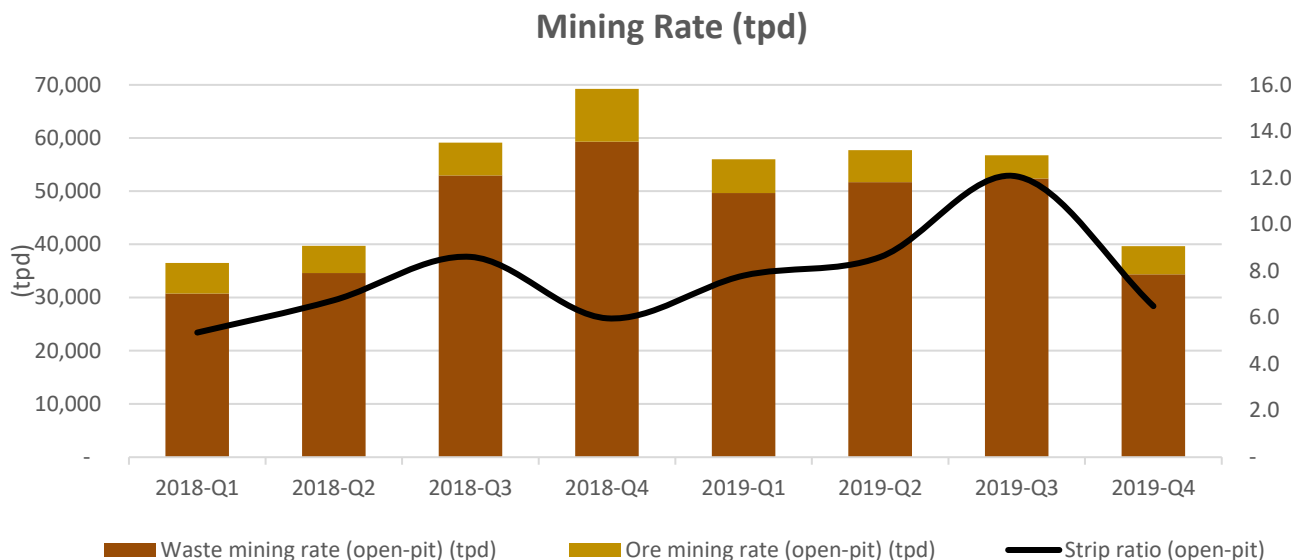
GOLD PRODUCTION



We completed the fourth quarter of 2019 with quarterly production of 28,300 ounces, including 1,500 ounces produced from Mad Kiss underground exploration development work. Although mill throughput and recoveries were as estimated by the 2019 LOM Plan, head grade was lower than forecast in the fourth quarter due to ore composition as described in the Processing Activities below.

On a full year basis, we produced 124,200 ounces including 1,600 ounces from Mad Kiss underground exploration development work, a decrease of 26,200 ounces compared to production from the prior year. The decrease was mainly attributable to a lower head grade of 1.61 g/t Au (2018 – 1.99 g/t Au) as a result of low ore release due to sequencing of waste development coupled with low grade stockpile and low-grade satellite open pit feed. See “Mining Activities” and “Processing Activities” below for further detail.

MINING ACTIVITIES



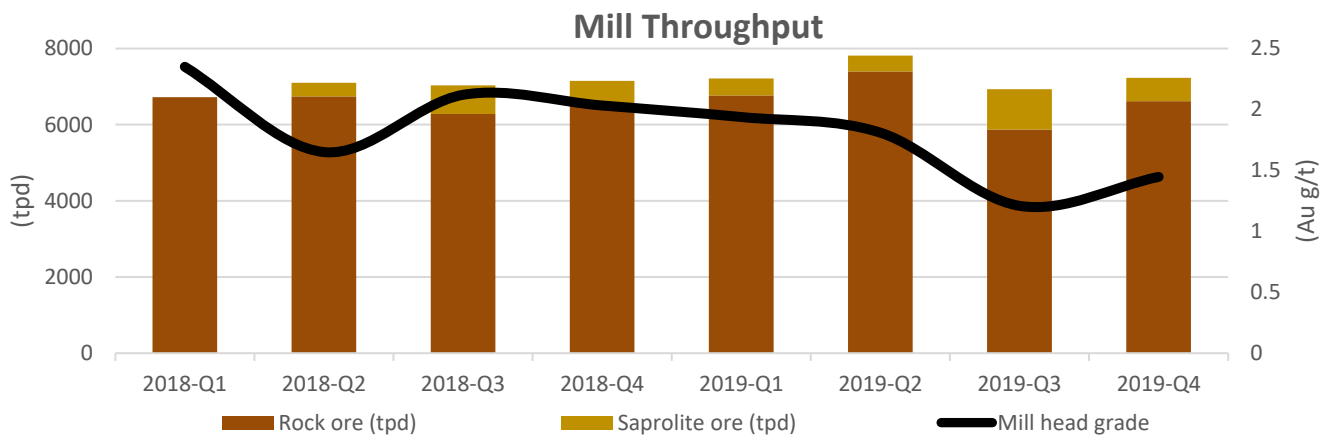
The daily average mining rate continued to decrease through the fourth quarter, averaging 39,800 tpd, a decrease of 42% when compared to the same quarter in 2018. The decrease in the mining rate the fourth quarter was due to constrained operating spaces and narrow benches, making operational sequencing more challenging, coupled with high rainfall. The fourth quarter stripping ratio was 6.3 which is similar to the comparative quarter in 2018.

On a full year basis, the daily average mining rate increased by 3% and was, as expected in order to meet the increase in stripping ratio for Rory’s Knoll open pit development. The higher mining rates were required to accommodate an increase in the strip ratio, which increased to 8.6 for the year, compared to 6.6 in 2018.

Due to a lack of exposed ore from Rory’s Knoll Phase 4, additional ore was mined from the North Alec Hill pit to compliment the ore feed to the mill. The ore sources mined during the year is outlined in the graph below alongside the diluted grade achieved through the mill. Rory’s Knoll ore amounted to approximately two thirds of the total ore mined and was diluted down to 2.0 g/t due to a lower cut-off grade being used for mining compared to the reserve model to allow for more ore to be mined from the pit, alongside high levels of mining dilution experienced in mining the narrow ore bodies in the pit wall as we came down to the bottom of the pit. We reached the bottom of the pit and the core of the diorite pipe in Rory’s Knoll late in the fourth quarter.



PROCESSING ACTIVITIES

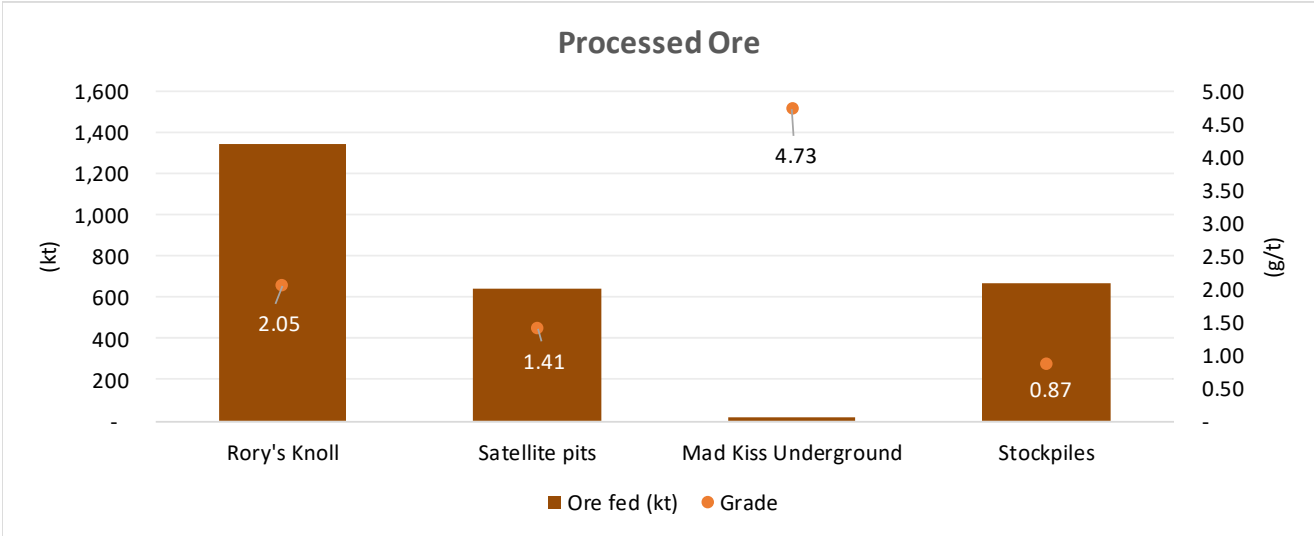


The mill processed a total of 665,000 tonnes or 7,200 tpd in the fourth quarter. For the full year, the mill processed an average of 7,300 tpd, a 4% increase compared to an average of 7,000 tpd in the prior year. The increase can be mainly attributable to the capital investment in the process plant and operating efficiencies. The Phase 2 mill expansion was commissioned in February 2019.

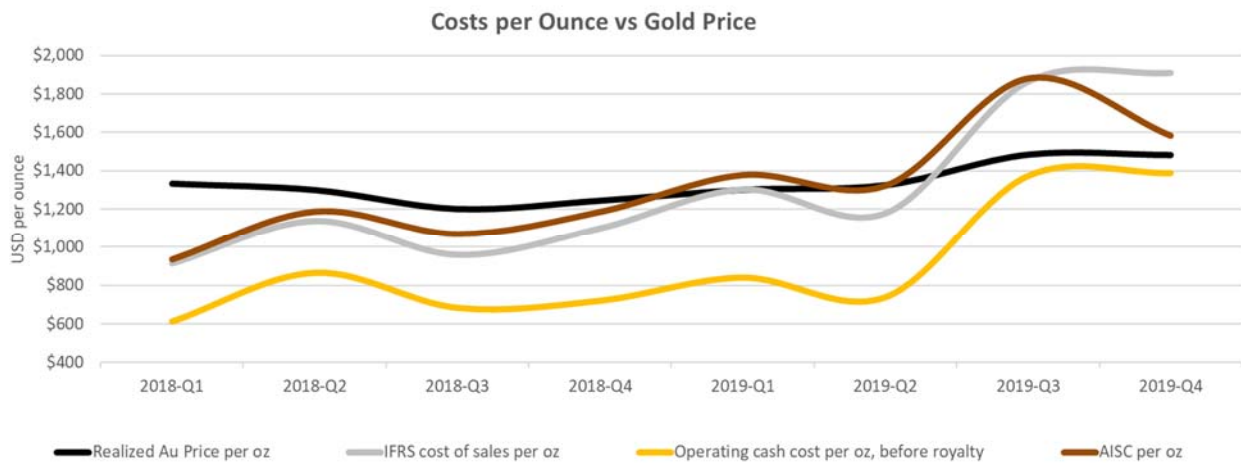
The mill head grade was lower at 1.45 g/t Au in the fourth quarter compared to 2.03 g/t Au in the fourth quarter of 2018. Gold recoveries of 91.3% was slightly higher in the fourth quarter from comparative quarter in the prior year as a result of the lower throughput rates applied.

The mill head grade averaged 1.61 g/t Au for the year, a 19% decrease compared to the averaged head grade of 1.99 g/t Au in 2018. Gold recoveries dropped to 90.3% in 2019 was lower than the 92.0% in 2018 predominantly due to the lower feed grade being processed in the year.

The decrease in head grade both the fourth quarter and the full year 2019 was due to a lack of primary ore being available from Rory's Knoll diorite core and this required low grade ore to be fed from stockpiles and satellite mining areas. The table below sets out the ore sources and grades processed through the mill during the year. Rory's Knoll ore represented only half of the ore processed during the year due to the lack of ore available as outlined above under Mining Activities.



COST OF SALES, TOTAL CASH COSTS & AISC



Cost of sales (including depreciation and royalties) was \$1,909 per ounce in the fourth quarter of 2019 compared to \$1,098 per ounce for the comparable quarter in 2018. This corresponds to a total cash cost (before royalty) of \$1,387 per ounce of gold sold, double the \$719 per ounce of gold sold from the comparable quarter in 2018. The increase in costs on a per ounce basis when compared to the prior quarter are largely attributable to more waste stripping and lower ore grade that led to less gold produced and sold during the current quarter.

For the full year, cost of sales (including depreciation & royalties) was \$1,499 per ounce compared to \$1,020 per ounce for the prior year, and operating cash costs of \$1,025 per ounce compared to \$712 per ounce for prior year. The increase in operating costs is primarily attributable to the increase in strip ratio in the current year coupled with lower ore grade.

Increases in AISC for the comparable quarter and year (2019 vs 2018) tracked more closely. AISC for the fourth quarter of \$1,584 per ounce was 34% higher than 2018 Q4, and for the year, AISC was \$1,490 per ounce, a 36% increase over 2018 year. While the cost of sales and cash cost variances are quite large, the AISC variances are relatively smaller due to the normalization of AISC as a result of deferred stripping costs being capitalized and included in sustaining capital and in AISC.

2019 FINANCIAL RESULTS

SELECTED FINANCIAL INFORMATION

(in thousands of US dollars, except ounces, per ounce and per share figures)

	Three months ending December 31		Years ending December 31	
	2019	2018	2019	2018
Revenue	\$ 38,924	\$ 46,542	\$ 174,218	\$ 187,890
Cost of sales	50,588	41,093	189,569	151,321
Corporate general & administrative expenses	2,096	2,158	12,908	10,025
Exploration expenses	110	1,111	1,473	5,314
Restructuring expenses	1,956	364	7,582	4,006
Impairment loss	234,957	-	234,957	-
Finance expense (income), net	36	5,702	(1,860)	5,324
Other operating expense, net	319	61	626	245
Deferred tax expense (recovery)	(5,985)	(1,915)	(7,697)	6,288
Net (loss) earnings	\$ (245,153)	\$ (2,032)	\$ (263,340)	\$ 5,367
Gain on marketable security, net	-	(4,774)	-	21,472
Comprehensive (loss) income	\$ (245,153)	\$ (6,806)	\$ (263,340)	\$ 26,839
Net loss per share (EPS)				
Basic	\$ (1.40)	\$ (0.01)	\$ (1.51)	\$ 0.03
Diluted	\$ (1.40)	\$ (0.01)	\$ (1.51)	\$ 0.03
Cash flow from operating activities	\$ (6,780)	\$ 18,444	\$ 30,183	\$ 57,985
Cash and cash equivalents	\$ 22,108	\$ 81,988	\$ 22,108	\$ 81,988
Debt, excluding deferred financing fees	\$ -	\$ 40,000	\$ -	\$ 40,000
Total Assets	\$ 163,624	\$ 476,395	\$ 163,624	\$ 476,395

REVENUE

During the fourth quarter of 2019, we sold 28,000 ounces of gold (2018 – 37,450 ounces) at an average realized price of \$1,483 per ounce (2018 – \$1,244 per ounce). Revenue for the quarter ended December 31, 2019 was \$38.9 million, a decrease of \$7.6 million compared to the comparable period in 2018 (2018 – \$46.5 million). The decrease is due to a lower volume of gold ounces sold (\$11.7 million), partially offset by the increase in the average realized selling price (\$4.1 million).

During 2019, we sold 128,000 ounces gold, a decrease of 20,350 ounces from 148,350 ounces sold in 2018. The average realized selling price for 2019 was \$1,382 (2018 – \$1,266). Revenue for 2019 was \$174.2 million, \$13.7 million lower than 2018 of \$187.9 million. The decrease in revenue is due to lower volume of gold ounces sold (\$25.8 million), partially offset by a higher average realized selling prices (\$12.1 million).

COST OF SALES

Production costs

Production costs include the costs associated with mining and processing activities. For the fourth quarter of 2019, production costs were \$36.8 million, which is \$10 million higher than the fourth quarter of 2018 (\$26.8 million). The increase in production costs is mainly attributable to the current phase of the open pit, resulting in less mining

costs being capitalized in the quarter. For 2019, production costs were \$129.7 million, an increase of \$24.2 million from the prior year (2018 – \$105.5 million). Of the \$24.2 million, \$19.0 million was due to higher volumes of waste mined as a result of the strip ratios required to access ore, coupled with higher materials and supplies inventory write-down of \$3.4 million and a \$1.8 million write-down on value added tax receivable from the Government of Guyana.

Royalty

Our royalty expense paid to the Government of Guyana is 5% of the gold sales revenue less treatment charge and freight cost if the sales price is \$1,000 or lower, and it is increased to 8% if the sales price is above \$1,000. This totaled \$14.1 million in 2019 (2018 - \$15.0 million). The variance is mainly due to the variance in revenue discussed previously.

Depreciation

Depreciation expense includes the current period fixed asset depreciation and release of depreciation expense previously included in the production inventories after metals inventories are processed sold.

Depreciation expense of \$10.5 million for the fourth quarter of 2019 is in-line with fourth quarter of 2018 (\$10.5 million). The higher depreciation expense is related to release of depreciation in production inventories during the quarter. Due to the reserve write-down announced in March of 2019, fixed assets were depreciated over a lower proven and probable reserve base in 2019 as compared to 2018 increasing the depreciation expense per unit of production. Higher depreciation rates per unit of production was offset by lower production during the quarter.

The 2019 depreciation expense of \$45.8 million is \$15.0 million higher than 2018 (\$30.8 million). Higher depreciation per unit of production, as outlined above, accounted for \$6.3M of the increase while another \$6.2M is as a result of the drawdown of metals inventories. The balance relates to depreciation of asset additions.

CORPORATE, GENERAL & ADMINISTRATIVE EXPENSES

Corporate, general and administrative expenses include salaries and benefits (including share-based compensation), professional fees, shareholder relations and filing fees, shareholder meeting related costs as well as other expenditures associated with operating the Canadian corporate office.

Corporate, general and administrative expenses of \$2.1 million for the fourth quarter of 2019 is in line with the fourth quarter of the prior year (\$2.2 million). Year-to-date expense of \$12.9 million is \$2.9 million higher than the comparable period in 2018 (\$10.0 million). The higher expense in corporate costs is largely attributable to shareholder proxy contest related costs of \$4.3 million (2018 – \$nil), partially offset by \$1.8 million lower corporate salaries and benefits, as a result of on-going restructuring of the corporate office. See “Restructuring Expenses” below.

EXPLORATION AND EVALUATION EXPENSES

Exploration and evaluation expenses include costs associated with brownfield and greenfield exploration projects, including but not limited to salaries and wages, drilling and assay costs and field and camp supplies. All costs for exploration in the current resource shell limits are considered developmental and capitalized to mineral properties.

Exploration expenses in the fourth quarter of 2019 totaled \$0.1 million (2018 – \$1.1 million). The year-to-date expenditure of \$1.5 million was significantly less than the \$5.3 million of exploration costs in 2018. The originally disclosed 2019 exploration program was not fully executed and fieldwork was suspended for Greenfield targets

with efforts redirected to focus on advancing the understanding of geology and mineralization controls, as well as consolidating historical sampling and geological data into a geographic information system database, in support of the comprehensive life of mine plan review.

RESTRUCTURING EXPENSES

Restructuring expenses include termination benefits (including severance and share-based compensation), professional fees, as well as other expenditures associated with management changes. The 2019 costs totaled \$7.6 million as compared to \$4.0 million in the prior year, due to the changes in the management team in the year.

Severance costs are excluded from AISC calculations as per the World Gold Council's November 2018 published guidance.

IMPAIRMENT LOSS

In accordance with our accounting policies and processes, each long-lived asset is assessed at the end of each reporting period as to whether there are any indications, from external and internal sources of information, that a long-lived asset may be impaired, requiring an adjustment to the carrying value.

For the year ended December 31, 2019, our market capitalization was below our net asset value, which is determined to be an indicator of impairment in conjunction with ongoing challenges in achieving the optimized sequence of mining and waste development in the open pit. In the fourth quarter of 2019, we recorded a total impairment loss of \$235.0 million as follows:

(a) Aurora mine (CGU "Aurora")

As a result of the impairment indicators noted above, we completed an asset impairment test that determined the recoverable amount of Aurora based on a fair value model of \$102 million. This exceeded the carrying value, resulting in an asset impairment charge of \$225.8 million for the year ended December 31, 2019. Estimates of future cash flows used in the calculation of the recoverable amount of Aurora are based on the New LOM Plan.

The implied equity value of the proposed transaction with Silvercorp is approximately C\$105 million. Based on this implied equity value, and the remaining terms of the Arrangement Agreement, including the Bridge Loan Facility, we anticipate a further material impairment to be recognized in the financial statements for the quarter ended March 31, 2020.

(b) Exploration properties

We recognized a \$7.0 million impairment loss related to the valuation of remaining components of a pilot plant not installed at the Aurora mill that we purchased in the past for the development of greenfield exploration properties. At December 31, 2019, there was no realistic expectation that we would be able to pursue greenfield exploration projects and utilize this asset in the near-term.

(c) Stripping activity asset

We recognized a \$2.2 million impairment loss on stripping activity asset a result of changes in the new LOM.

NET FINANCE INCOME/EXPENSE

Net finance (income) expense primarily consists of unrealized and realized diesel swap (gains) losses, interest (income) expense and amortization of deferred financing fees.

Net finance expense was negligible for the quarter ended December 31, 2019 as compared to the \$5.7 million expense from the comparable quarter in 2018 representing unrealized losses on our investment in derivative instruments. During May 2019, we disposed of the derivative instruments and did not enter into any other derivative contracts for the remainder of the year.

For the full year 2019, net finance income was \$1.9 million as compared to \$5.3 million net finance expense reported in 2018. The reason for the change in finance income/expense from the prior year is largely attributable to a fair value gain of \$3.1 million recognized on disposal of derivative instruments and savings on the interest expense after we repaid our debt during the second quarter of 2019.

NET OTHER OPERATING EXPENSE

Net other operating expense primarily consists of unrealized and realized foreign exchange (gains) losses, loss on sale of asset and other income or expense.

Net other operating expense of \$0.3 million for the fourth quarter 2019 is in-line with the \$0.1 million expense from the comparable quarter in 2018.

For the full year 2019, net other operating expense was \$0.6 million as compared to \$0.2 million net other operating expense reported in 2018. The variance is mainly due to a loss of \$0.8 million recognized from the sale of our twin otter plane during the third quarter of 2019.

DEFERRED TAX (RECOVERY) EXPENSE

We recorded a tax recovery for both the fourth quarter of 2019 and the year ended December 2019 of \$6.0 million and \$7.7 million respectively. This compares to a deferred tax recovery of \$1.9M in the fourth quarter of 2018 and a \$6.3 million deferred tax expense for the year ended December 31, 2018. The year over year difference as well as the difference over the quarters is due to reduced earnings from mining operations in 2019 as compared to 2018. As a result of the \$235.0 million impairment loss recorded in the fourth quarter of 2019, we would have recorded a corresponding deferred tax asset at the statutory income tax rate of 25%, however, due to the uncertainties surrounding our ability to continue as a going concern, we reduced the deferred tax asset to nil.

OTHER COMPREHENSIVE INCOME

There was no other comprehensive income recognized in 2019. We reported a net gain of \$21.5 million during 2018 from the disposal of our marketable security investment in SolGold Plc.

2019 EXPLORATION

2019 EXPLORATION PROGRAM

During the first half of 2019, our focus was the exploration of attractive, near mine brownfield's targets. Field work was suspended on certain greenfield targets north of the Cuyuni River. Exploration activities during the remaining half of 2019 were redirected to focus on advancing the understanding of geology at Mad Kiss and North Aleck Hill deposits and mineralization controls at Aurora, as well as consolidating historical sampling and geological data into a geographic information system database, in support of the life of mine plan that was under review.

An exploration budget of \$6.8 million was initially approved for 2019; however, only \$2.9 million was spent (\$1.3 million spent on definition drilling for underground was capitalized) in 2019 due to the redirection of exploration activities mentioned above. The originally planned exploration program consists of three phases of activity and an

estimated 30,000 metres of combined surface and underground drilling. Phase 2 and phase 3 were significantly modified to refocus infill drilling in support of the comprehensive review of the life of mine plan requirements prior to the normal grade control drilling in the pits. This resulted in \$3.9 million underspend for 2019 when compared to the approved budget.

- **Phase 1** was completed through the first half of 2019 utilizing two surface diamond drill rigs to test ore shoots beneath the satellite ore zones at Aurora. Additionally, three condemnation holes were drilled to evaluate dumping areas.
- **Phase 2** commenced in the third quarter of 2019. An underground drill rig replaced a surface rig to conduct detailed definition drilling. Under the original plan, drilling was to continue through the second half of 2019. However, Phase 2 was modified as a result of the redirection of exploration activities, in support of the life of mine plan review mentioned above. This included the relogging and modelling of Mad Kiss and North Aleck Hill deposits and as a result, no underground drilling was completed in 2019.
- **Phase 3** was not commenced. The original scope of Phase 3 included the resumption of Greenfields exploration aimed at assessing prospective targets and focusing on new gold anomalies in the vicinity of the mine. Instead, focus was placed on executing an In-Advance of Grade Control Reverse Circulation (RC) drilling at Aleck Hill, North Aleck Hill, West Mad Kiss, South Mad Kiss, Walcott Hill and Rory's Knoll. The drill program aimed to provide options for life of mine planning and seek resource classification upgrade. Two piezometer holes were drilled under Rory's Knoll Phase 5 whittle shell to allow assessment of the possible hydrological condition behind the pit and determine any possible risk associated with the next phase to be mined in Rory's Knoll. Given the current focus on operations and planned underground development, coupled with budgetary constraints, there is no plan to focus on greenfield exploration in the near term and only activities in support of the New LOM Plan are expected to be pursued.

2019 MAJOR PROJECT UPDATES

COST SAVING INITIATIVES

During early third quarter of 2019, we commenced a thorough review of the Aurora life of mine plan due to the ongoing challenges in achieving the optimized sequence of mining and waste development in the open pit. We embarked on a comprehensive mine, production and cost savings plan review to make the necessary changes and improvements to increase productivity and profitability.

Part of this review included assessing the cost saving initiatives which were underway as a result of the implementation of the Optimized Mine Plan, prior to the changes in management noted above. The assessment of these cost saving initiatives is summarized as follows. Note that annualized figures for each cost savings identified, may change in future periods due to various factors, including consumption rates:

- Power cost was reduced from \$0.25/kwh to \$0.23 kwh in 2019 resulting in an annualized saving of \$1.4 million using 2019 power consumption rates.
- Plant consumable savings were achieved in late 2019 amounting to annualized saving of \$1.3 million using 2019 consumption rates.
- Diesel cost was reduced through a new consignment inventory arrangement with the diesel provider which was implemented in stages commencing in the third quarter and completed on January 5, 2020. We now pay for diesel as consumed on site and this arrangement achieved a saving of approximately ~\$0.10/ litre for annualized saving of \$0.9 million using 2019 consumption rates (excluding diesel used in power generation).

- The anticipated explosive cost reduction was not achieved in 2019. It took much longer to come to an agreement with our sole explosive provider. A final agreement was signed on February 19, 2020 which included a credit of \$1.6 million based on 2019 purchases as an incentive for entering into a new contract. This saving will be recorded as a credit against Cost of Goods Sold in the first quarter of 2020. Further reduction of explosive cost was predicated on using alternative types of explosives; however, these were not implemented due to late arrival of required equipment and various operating constraints that existed during late 2019, most notably wet mining conditions. These are now being used at the mine site and the benefits from these will be evidenced in 2020.
- The anticipated mining contractors cost reductions were not achieved as an agreement could not be reached with our principal vendor in 2019. As such management gave our open pit mining contractor notice under the existing contract on November 5, 2019 with an effective end date of May 5, 2020 to avoid early termination penalties. Ongoing negotiations following revised bids received, including from the incumbent contractor, may result in significant cost saving in the future once implemented, which remain subject to financing.
- We also rebid the underground development and mining contract over a longer-term as outlined in the Underground Development section below.
- A limited head count reduction was implemented in 2019 but was paused in order to allow management the ability to incorporate the results of the New LOM Plan in decision making.

UNDERGROUND DEVELOPMENT

In May 2019, we recommenced the underground development project and \$16.2 million of costs were incurred on this project in 2019. We recorded \$2.6 million in incidental sales proceeds from the 1,600 oz gold produced from the underground project, with a net of \$13.6 million being added to mineral properties during 2019.

The principal initial activity of the underground development project is the main decline to access the Rory's Knoll ore body. This decline will also provide access to the satellite ore bodies at depth. The design of the decline commences at the Mad Kiss deposit to allow for early access to ore from this satellite ore body and will drift across the Rory's Knoll ore. Work on the underground decline continued through the fourth quarter and the contractor advanced the main decline approximately 120 meters and 512 meters during the current quarter and year, respectively, under the current construction permit issued by the EPA. Total development was approximately 914 meters at year end including stope development at Mad Kiss.

A commercial agreement in respect of the initial development of the ramp decline for the underground project was originally entered into in order to fast track the underground project. The initial scope included 400m of development, and this was extended to 800m in the fourth quarter.

During the fourth quarter we entered into an agreement with the same contractor to develop the first test stope in the Mad Kiss orebody under our construction permit expanding their scope in the short term. Stope development commenced in the fourth quarter and initial development ore was sent to the plant for processing as outlined above.

PHASE 2 MILL EXPANSION

Phase 2 of the mill expansion was completed and commissioned in February 2019 and \$2.8 million was spent on this project in 2019, bringing the total cost of the project to \$6.4 million which was slightly above the \$5.8 million budget. The mill achieved record throughput rates during the second quarter of 2019, averaging 7,800 tpd, an increase of 700 tpd or 10% when compared to the 7,100 tpd in the fourth quarter of 2018.

LIQUIDITY & CAPITAL RESOURCES

We finished the quarter with a cash balance of \$22.1 million. While the Company previously anticipated generating sufficient working capital and cash flow to cover operating requirements through 2020, this objective is no longer achievable and additional financing is needed to fund the cost of additional waste stripping for the open pit and the development of the underground mine.

CASH FLOWS

- We used \$6.8 million in operating cash flow during the fourth quarter compared to \$18.5 million of operating cash inflow in the fourth quarter of 2018. For the year ended December 31, 2019, we generated operating cash flow of \$30.2 million compared to \$58.0 million in the comparable period of 2018. The decrease in 2019 cash flow is primarily a result of the lower ounces produced and sold and higher operating costs.
- Cash generated from investing activities was \$4.2 million for the fourth quarter of 2019, compared to cash outflow of \$23.5 million in the same comparable period prior year. The difference between the quarters is mainly due to a \$2.6 million incidental sales proceed generated from the gold produced from our underground project coupled with limited cash spent on capital expenditures in the fourth quarter of 2019. Year-to-date cash flow used in investing activities totals \$49.2 million (2018 – \$29.5 million), mainly due to \$35.5 million cash proceeds received from the sale of the SolGold investment in the third quarter of 2018 that partially offset capital expenditures for the year.
- For the fourth quarter of 2019, total cash used in financing activities was \$0.1 million compared to \$5.6 million in the comparable period last year. The difference is due to a \$5 million loan principal and \$0.6 million interest paid in 2018 on a loan facility that we subsequently retired the remaining balance in April 2019. Year-to-date cash used in financing activities was \$40.9 million, as compared to \$22.2 million in the prior year comparable period. The increase in cash used in financing activities in the current year principally attributable to management’s decision to retire the remaining loan facility on April 30, 2019 as previously disclosed.

LIQUIDITY OUTLOOK & GOING CONCERN

In the fourth quarter of 2019, we commenced a process to evaluate additional financing options to fund ongoing working capital requirements and the continued development of our underground mine. Existing cash and cash equivalents of \$22.1 million as at December 31, 2019 are not sufficient to meet the funding needs of the Company to be able to continue to fund ongoing operations and complete the construction of the underground mine for the next twelve months, and as such, additional financing is required. These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

Working Capital as at December 31, 2019, was \$31.4 million, \$70.0 million lower than December 31, 2018. The decrease was largely due to lower cashflows from operations and the repayment of our debt facility in 2019.

Working Capital	As at December 31, 2019	As at December 31, 2018
Current Assets	64,052	147,863
Current Liabilities	32,624	46,423
Net Working Capital	31,428	101,440
Current Working Capital Ratio	2.0	3.2

Management considered various financing alternatives, including issuance of new equity or debt instruments. Subsequent to year end, the Company started exploring strategic alternatives, in addition to the evaluation of financing options, including consideration of a corporate transaction. The Arrangement Agreement was executed concurrently with the Bridge Loan Facility agreement of up to \$15.0 million, which will not be sufficient to fund operations and continued development for the next twelve months, however, such Bridge Loan Facility will provide liquidity support pending completion of the Arrangement, subject to conditions precedent to drawdown being fulfilled. The Arrangement is subject to regulatory approvals as well as approval of the Company's Shareholders. Nevertheless, there is no assurance that these initiatives will be successful. See "Proposed Transaction" and "Risk Factors - Transaction Completion Risk".

The Company's ability to continue as a going concern is dependent upon our ability to secure additional financing or enter into strategic corporate transactions in order to fund our ongoing operations, continue development of our underground mine and generate positive cash flows from operations in future periods. The accompanying financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENCIES

The Mineral Agreement and Mining License for the Aurora Gold Mine require us to fulfill obligations and commitments over the twenty-year life of the agreements. We are in compliance in all material respects with all terms and conditions of the Mining Licence and Mineral Agreement for the Aurora Gold Mine. The Government of Guyana has the right to terminate the agreements in the event of default by written notice to us, subject to a dispute resolution process, followed by arbitration. There is also a dispute resolution process involving arbitration for major contracts that we have entered. We have \$7.4 million commitments as at December 31, 2019. For details, refer to Note 24 of the audited consolidated financial statements.

OUTSTANDING SHARES

At the date of this MD&A, there are 174,564,184 issued and outstanding common shares. Options outstanding amounted to 349,002 at the date of this MD&A, each of which is exercisable to acquire one share of our common shares in accordance with the terms thereof.

CAPITAL AND FINANCIAL RISK MANAGEMENT

CAPITAL MANAGEMENT

We manage our capital with the following objectives:

- to manage the substantial doubt that exists regarding our ability to continue as a going concern (see liquidity discussion below)
- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and
- to maximize shareholder return through enhancing share value.

We consider capital to be (1) equity, comprising share capital, contributed surplus and accumulated deficit, which at December 31, 2019 totaled \$121.9 million (December 31, 2018 - \$385.4 million), and (2) long-term debt, which at December 31, 2019, was \$nil (December 31, 2018 - \$39.6 million).

We manage capital through our financial and operational budgeting processes that are approved by our Board of Directors. We review our working capital and forecast our future cash flows based on operating expenditures, and other investing and financing activities. The forecast is regularly updated based on exploration and mine operating activities, as well as anticipated future gold production plans. Selected information is frequently provided to our Board of Directors. Our capital management objectives, policies and processes have remained unchanged during 2019.

We monitor our capital structure and make adjustments according to market conditions in an effort to meet our objectives given the current outlook of the business and the industry in general. We may manage our capital structure by issuing new shares, repurchasing outstanding shares, taking on debt, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

FINANCIAL RISK MANAGEMENT

Our activities expose us to a variety of financial risks: market risk, liquidity risk and credit risk. Risk management is carried out by our management team with guidance from the Board of Directors. The Board of Directors also provides regular guidance for overall risk management. We use derivatives as part of our risk management program to mitigate variability associated with changing market values related to diesel price risk exposure. We do not purchase derivative financial instruments for speculative purposes.

MARKET RISK

Market risk is the risk that changes based on market factors, such as commodity prices or foreign exchange rates, and which affect the value of our financial instruments.

COMMODITY PRICE RISK

Our cash flow and financial position are subject to price risk due to fluctuations in the market price of gold. Gold prices are affected by numerous factors beyond our control. Fluctuation in the price for gold may adversely affect (1) our ability to profitably operate the Aurora Gold Mine, (2) influence the course of action taken in operating the mine in the future, (3) our ability to obtain additional financing, and (4) our ability to meet the Facility's covenants. For the year ended December 31, 2019 our revenues and cash flows were subject to high and low realized gold prices of \$1,553/oz and \$1,272/oz, respectively. A 10% change in gold price would impact our net earnings before tax for the year ended December 31, 2019 by \$17.4 million (December 31, 2018 – \$18.8 million).

Our cost of sales is affected by the volatility of diesel price. We consumed approximately 35.2 million litres of diesel fuel during 2019 (2018 – 33.2 million litres). A 10% change in diesel price would have impacted our 2019 net earnings before tax by \$2.0 million.

During 2019, we settled our diesel derivative contract that was outstanding at the end of 2018 and no derivative contract was outstanding at December 31, 2019.

CURRENCY RISK

Currency risk is the risk that the fair value of, or future cash flows from, our financial instruments will fluctuate because of changes in foreign exchange rates. Our functional currency is the United States dollar and major purchases are transacted in United States dollars.

We are subject to gains and losses due to fluctuations in the Canadian dollar and Guyanese dollar against the United States dollar. Sensitivity to a plus or minus 10% change in all foreign currencies (Canadian dollars and

Guyanese dollars) against the United States dollar with all other variables held constant as at December 31, 2019, would affect the statements of operations and comprehensive loss by approximately \$0.8 million (December 31, 2018 - \$1.1 million).

We fund our exploration activities in Guyana on a cash call basis using United States dollars converted from our Canadian dollar bank accounts held in Canada. We maintain Canadian and United States dollar bank accounts in Canada, and Guyanese and United States dollar bank accounts in Guyana. Our foreign exchange exposure to fluctuations in the Canadian and Guyanese dollars is not significant as our annual exploration expenditures, and Canadian dollar cash balances, are both relatively small.

A significant portion of our corporate administrative costs are denominated in Canadian dollars. Fluctuations in the United States dollar exchange rate against the Canadian dollar are not expected to have a material impact on our cash flows.

(B) LIQUIDITY RISK

Liquidity risk is the risk that we will not have sufficient cash resources to meet our financial obligations as they come due. As described in note 1 of the audited consolidated financial statements, we evaluated various financing and strategic alternatives in order to mitigate our liquidity risk and to be able to settle our obligations as they come due. As part of the Arrangement Agreement, Silvercorp will extend a \$15 million Bridge Loan Facility to us to facilitate liquidity until the Arrangement closes, subject to certain conditions precedent to drawdown being met; however, this loan will not be sufficient to fund operations and continued development for the next twelve months. Taking into consideration our current cash position, volatile equity markets, and global uncertainty in the capital markets inclusive of the COVID-19 impact occurring subsequent to year-end, we are continually reviewing expenditures and forecasted cash flows to mitigate our liquidity risk.

The following table outlines the expected maturity of our significant financial liabilities into relevant maturity groupings.

2019	Due within 1 year	Due between 1 and 5 years	Due past 5 years	Total
Accounts payable and accrued liabilities	27,247	-	-	27,247
Restructuring provision	4,343	-	-	4,343
Lease obligation	1,097	2,477	233	3,807
Share based compensation liability	-	318	-	318
Total	32,687	2,795	233	35,715

2018	Due within 1 year	Due between 1 and 5 years	Due past 5 years	Total
Accounts payable and accrued liabilities	25,160	-	-	25,160
Restructuring provision	1,335	-	-	1,335
Long-term debt	19,688	19,875	-	39,563
Derivative liability	240	589	-	829
Share based compensation liability	-	777	-	777
Total	46,423	21,241	-	67,664

Our future operating cash flow and cash position are highly dependent on gold prices, as well as other factors. Taking into consideration our current cash position, volatile equity markets, and global uncertainty in the capital

markets, we are continually reviewing expenditures and assessing business opportunities to enhance liquidity in order to ensure adequate liquidity and flexibility to support our strategy, while continuing production at our current operation. A period of continuous low gold prices may necessitate the deferral of capital expenditures which may impact development work and project completion, as well as production from mining operations. In addition, in such a price environment, we may be required to adopt one or more alternatives to increase liquidity. We regularly evaluate our overall cash position and forecasted cash flows to ensure preservation and security of capital as well as maintenance of liquidity. Forecasting takes into consideration our debt financing (if any), covenant compliance and internal liquidity targets.

CREDIT RISK

Credit risk is the risk of financial loss to us if a third party to a financial instrument fails to meet their contractual obligations, and arises principally from our sales of gold, and also from our financing activities including deposits with banks, and derivative contracts.

We sell our gold to a select financial institution or gold refinery. We do not have any historical experience relating to customer default, as such the credit risk associated with gold sales is to be considered minimal. We are not economically dependent on a limited number of customers for the sale of our gold.

We maintain substantially all of our cash in interest bearing bank accounts at select Canadian chartered banks.

RELATED PARTY TRANSACTIONS

There were no material related party transactions in 2019 and 2018 other than compensation of key management personnel. We have identified our members of the Board of Directors and certain senior officers as our key management personnel. Remuneration of our key management personnel was as follows:

	2019	2018
Compensation and benefits	\$ 2,697	\$ 2,038
Share-based compensation	(14)	618
Restructuring expenses	-	2,111
Total	\$ 2,683	\$ 4,767

SELECTED ANNUAL INFORMATION

(Expressed in thousands of dollars except per share and ounce amounts)

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Financial Results			
Metal Sales (Total Revenue)	174,218	187,890	199,480
Net (loss) earnings	(263,340)	26,839	33,275
Basic (loss) earnings per share	(1.51)	0.03	0.16
Diluted (loss) earnings per share	(1.51)	0.03	0.15
Financial Position			
Total Assets	163,624	476,395	472,016
Total non-current liabilities	9,083	44,580	61,107
	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Other Data			
Gold Sold (ounces)	128,000	148,350	157,700
AISC (\$/oz)	\$1,490	\$1,097	\$846
Average realized gold Price (\$/oz)	\$1,382	\$1,266	\$1,265

Key Factors that have caused period over period fluctuations include:

- Reduction in year over year gold production resulting in lower ounces sold and consequently lower revenues despite higher average realized gold prices
- A non-cash impairment charge in 2019 resulting in a reduction in total assets in 2019 and in net income
- Reduction in non-current liabilities due to \$20 million scheduled loan principal repayment in 2018 and early retirement of the loan in the second quarter of 2019.

SUMMARY OF QUARTERLY FINANCIAL RESULTS

		2019				2018			
		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Gold ounces produced ⁵	ounces	28,300	22,000	37,300	36,600	39,100	41,200	31,300	38,800
Gold ounces sold	ounces	28,000	23,500	38,300	38,200	37,450	41,200	31,700	38,000
Average realized gold price	\$/ounce	\$1,483	\$1,485	\$1,325	\$1,301	\$1,244	\$1,200	\$1,300	\$1,333
Metal sales -Total Revenue	\$ (000's)	38,924	34,843	50,772	49,679	46,542	49,418	41,196	50,734
Total cost of sales	\$ (000's)	50,588	43,796	45,517	49,668	41,094	39,453	36,029	34,745
(Loss) earnings from mine operations	\$ (000's)	(11,664)	(8,953)	5,255	11	5,448	9,965	5,167	15,989
Impairment loss	\$ (000's)	234,957	-	-	-	-	-	-	-
Other expense, net ⁶	\$ (000's)	4,481	3,214	10,084	4,810	3,723	6,999	4,740	4,129
Net finance (income) expense	\$ (000's)	36	-	353	(2,249)	5,673	198	(959)	412
Deferred tax (recovery) expense	\$ (000's)	(5,984)	(2,649)	1,197	(261)	(1,915)	4,964	180	3,058
Net (loss) earnings	\$ (000's)	(245,154)	(9,518)	(6,379)	(2,289)	(2,033)	(2,196)	1,206	8,390
Cash from operations	\$ (000's)	(6,780)	3,029	16,677	17,257	18,444	19,650	963	18,928
Cash Used in Investing	\$ (000's)	4,161	(17,757)	(15,251)	(20,361)	(23,467)	16,041	(8,785)	(13,321)
Cash Used in financing	\$ (000's)	(118)	649	(35,748)	(5,638)	(5,610)	(5,740)	(5,519)	(5,321)
Net Change in cash	\$ (000's)	(2,737)	(14,079)	(34,322)	(8,742)	(10,633)	29,951	(13,341)	286
Earnings (loss) per share:									
Basic and diluted	\$ / share	(1.40)	(0.06)	(0.04)	(0.01)	(0.01)	(0.01)	0.01	0.05
Operational Statistics									
Head grade	g/t Au	1.45	1.21	1.81	1.94	2.03	2.12	1.65	2.18
Recovery	%	91.3	89.1	90.2	90.5	91.1	93.5	91.4	91.7

Our recent financial results and decrease in cashflows over the course of the last eight quarters, are reflective of the operational trends at Aurora, including lower average grades and recoveries as well as increased operating costs and sustaining capital (notably deferred stripping). Though grades and recovery did not consistently drop over the eight quarters, the overall averages on a year-over-year basis were lower which contributed to lower gold production and sales

Despite increasing gold prices during this period and comprehensive reviews of costs, cash balances continued to decline over the period as a result of the cumulative effect of operating cashflows, investment in sustaining capital, the repayment of debt and the absence of additional financing.

⁵ Change in definition of calculating and reporting gold produced effective January 1, 2019. Refer to "Gold Produced – Change in Definition" section of this MD&A.

⁶ Includes corporate general and administrative expenses, exploration and evaluation expenses and restructuring expenses (as separately disclosed in the condensed consolidated interim financial statements).

NON-IFRS PERFORMANCE MEASURES

We have included certain non-IFRS performance measures in this MD&A. These measures are not defined under IFRS and should not be considered in isolation. We believe that these measures, together with measures determined in accordance with IFRS, provide investors with an improved ability to evaluate our underlying performance. The inclusion of these measures is meant to provide additional information and should not be used as a substitute for performance measures prepared in accordance with IFRS. These measures are not necessarily standard and therefore may not be comparable to other issuers.

We have applied the World Gold Council's November 2018 published guidance in reporting cash costs and AISC to our mining operations. Adoption of cash costs and AISC metrics is voluntary and not necessarily standard, and therefore, these measures presented by us may not be comparable to similar measures presented by other issuers. We believe that the cash costs and AISC measures complement existing measures reported by us.

TOTAL CASH COST PER OUNCE

Total cash costs are a common financial performance measure in the gold mining industry but with no standardized meaning under IFRS. We report total cash costs on a sales basis. We believe that, in addition to conventional measures prepared in accordance with IFRS, such as sales, certain investors use this information to evaluate our performance and ability to generate operating earnings and cash flow from our mining operations. Management uses this metric as an important tool to monitor operating cost performance.

Total cash costs include production and royalty costs. Production costs include mining, processing, refining and transportation, and site administration, and in total are then divided by gold ounces sold to arrive at total cash costs per gold ounce sold. This measure also includes other mine related costs incurred such as mine standby costs and any current inventory write-downs. Production costs are exclusive of depreciation. Other companies may calculate these measures differently.

The following table reconciles these non-IFRS measures to the December 31, 2019 audited consolidated statements of comprehensive income.

(in thousands of US dollars except ounces and per ounce calculations)

	Three months ending December 31		Years ending December 31	
	2019	2018	2019	2018
Production costs (cash costs)	\$ 36,761	\$ 26,835	\$ 129,706	\$ 105,549
Divided by: Gold ounces sold (open pit) ⁷	26,500	37,450	126,500	148,350
Total cash costs per ounce - before royalty	\$ 1,387	\$ 719	\$ 1,025	\$ 712
Cash costs – above	\$ 36,761	\$ 26,893	\$ 129,706	\$ 105,549
Add royalty costs	3,311	3,713	14,100	14,983
Total cash costs	40,072	30,606	143,806	120,532
Divided by: Gold ounces sold (open pit) ⁸	26,500	37,450	126,500	148,350
Total cash costs per ounce	\$ 1,512	\$ 817	\$ 1,137	\$ 812

⁷ Gold ounces produced and sold from the underground has been excluded in the “total cash costs per ounce – before royalty” calculation as the production cost of these ounces has been capitalized to mineral properties during the underground development period

⁸ Gold ounces produced and sold from the underground has been excluded in the “total cash costs per ounce” calculation as the production cost of these ounces has been capitalized to mineral properties during the underground development period

ALL-IN SUSTAINING COST PER OUNCE (“AISC”)

“All-in sustaining cost per ounce” is also a non-IFRS performance measure. We believe this measure more fully defines the total costs associated with producing gold; however, this performance measure has no standardized meaning under IFRS. Accordingly, there may be some variation in the method of computation of AISC as determined by us compared with other mining companies. In this context, we calculate AISC as the sum of total cash costs (as described above), share-based compensation, corporate general and administrative expense, exploration and evaluation expenditures that are sustaining in nature (defined as brownfields exploration on our Mining License), reclamation cost accretion, sustaining capital including deferred stripping and realized gains and losses on diesel derivative contracts, all divided by the gold ounces sold to arrive at a per ounce figure.

Sustaining capital expenditures are expenditures that do not increase annual gold ounce production at a mine site and excludes expenditures at our development projects as well as expenditures that are deemed expansionary in nature.

The following table reconciles these non-IFRS measures to the December 31, 2019 consolidated financial statements.

(in thousands of US dollars except ounces and per ounce calculations)

	Three months ending December 31		Twelve months ending December 31	
	2019	2018	2019	2018
Total cash cost as above	\$ 40,072	\$ 30,606	\$ 143,806	\$ 120,532
Sustaining capital ⁹	1,017	11,229	44,646	31,980
Corporate general and administrative expenses ¹⁰	2,114	2,158	8,645	10,026
Exploration and evaluation costs (sustaining)	-	919	961	2,180
Asset retirement obligation accretion	-	15	113	15
Realized (gain) loss on diesel forward contracts ¹¹	-	(598)	(3,168)	(2,009)
Write-down of working capital ¹²	(1,240)	-	(6,555)	-
All-in sustaining costs	\$ 41,963	\$ 44,329	\$ 188,448	\$ 162,724
Divided by: Gold ounces sold (open pit) ¹³	26,500	37,450	126,500	148,350
All-in sustaining costs per ounce	\$ 1,584	\$ 1,185	\$ 1,490	1,097

⁹ Sustaining capital is defined as all capital expenditures which do not result in a material increase in gold production and/or cash flow and exclude all expenditures on growth projects.

¹⁰ Corporate general and administrative expenses exclude shareholder activism costs.

¹¹ Included in net finance expense in the audited Consolidated Statements of Comprehensive Loss - See Note 20 to the audited consolidated financial statements for the years ended December 31, 2019 and 2018.

¹² Included in production costs in the audited Consolidated Statements of Comprehensive Loss – See Note 6 and 7 for write-down on value added receivables from the Government of Guyana and write-down on Materials and Supplies inventory, respectively, in the audited consolidated financial statements for the years ended December 31, 2019 and 2018. This write-down reflects management’s best estimate of the net realizable value to recover and it is excluded from AISC calculation as per the World Gold Council’s November 2018 published guidance.

¹³ Gold ounces produced and sold from the underground has been excluded in the “all-in sustaining costs per ounce” calculation as the production cost of these ounces has been capitalized to mineral properties during the underground development period.

GOLD PRODUCED – CHANGE IN DEFINITION

As previously reported, effective January 1, 2019, we have changed our method of defining and reporting “gold produced”. Previously, gold produced was defined to be equal to the number of gold ounces poured during a reporting period. The new definition of “gold produced” is equal to tonnes milled multiplied by average mill head grade multiplied by recovery for a given period (*Gold produced = tonnes milled * average mill head grade * average recovery*).

As a result of the change in definition, comparative periods have been restated to reflect the new definition. The table below presents the revised and previously reported figures for gold ounces produced:

	2018				2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Gold produced – as currently reported	39,100	41,200	31,300	38,800	47,300	41,500	29,600	42,300	43,500	33,900	32,700	40,100
Gold produced – as previously reported	42,750	41,000	28,250	38,500	48,900	41,000	29,700	40,900	43,800	34,400	32,100	41,300

RISK FACTORS

The following list details existing and future material risks to our business. The risks described below are not listed in any particular order and are not exhaustive. Additional risks and uncertainties not currently known to us, or those that it currently deems to be immaterial, may become material and adversely affect our business. The realization of any of these risks may materially and adversely affect our business, financial condition, results of operations and/or the market price of our securities.

COVID-19 PANDEMIC

The Company faces risks related to health epidemics and other outbreaks of communicable diseases, which could significantly disrupt its operations and may materially and adversely affect its business, financial conditions and results of operations. In December 2019, a novel strain of the coronavirus emerged in China and the virus has now spread to several other countries, including Canada and Guyana, and infections have been reported globally. COVID-19 has disrupted economic activities and the extent to which COVID-19 impacts the Company’s business, including its operations and the market for its securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time. Such future developments include the duration, severity and scope of the outbreak and the actions taken to contain or treat the outbreak. In particular, the continued spread of COVID-19 globally could materially and adversely impact the Corporation’s business including without limitation, employee health, workforce productivity, increased insurance premiums, limitations on travel, supply chain interruption, the availability of industry experts and personnel, restrictions to adhering to the New LOM Plan, and other factors that will depend on future developments beyond the Company’s control. The Company will continue to monitor and stay informed of the progress of the pandemic and is taking action wherever and whenever possible to mitigate the impact of the pandemic on the staff and operations of the Company.

The Company’s ability to meet obligations as they come due is dependent on the continued ability to operate the mine, obtain financing and maintain cash flows, as well as the ability to execute on the underground project as described in this MD&A (see “2020 Outlook - Underground Development Project”). The New LOM Plan, including the production schedule, capital cost estimates and mine economics, was developed before the onset of the COVID-19 pandemic in the Americas, and does not take into account any potential delays, deferrals, reduced

productivity or other constraints on operations or financing that may arise from the rapidly changing world reaction to the virus.

TRANSACTION COMPLETION RISK

The completion of the Arrangement is subject to a number of third-party approvals and there can be no assurance that all such approvals will be obtained. For example, the Arrangement is subject to the approvals of the Shareholders of the Company and the Ontario Superior Court of Justice (Commercial List) as set out under “2020 Outlook - Proposed Transaction”. These approvals have not been obtained. If any of these approvals are not obtained, the Arrangement will not be completed. Moreover, the Arrangement Agreement contains certain conditions precedent in favour of Silvercorp including that no more than a certain percentage of Shareholders have exercised dissent rights. The Arrangement Agreement may be terminated by Silvercorp if, among other things, there is a breach of any representation or warranty or failure to perform any covenant on the part of the Company that would cause certain conditions precedent not to be satisfied (subject to any applicable cure period) or a material adverse effect in respect of the Company has occurred and is incapable of being remedied by August 30, 2020, the agreed outside date for completing the Arrangement.

If the Arrangement is not completed, Silvercorp has certain termination rights under the Bridge Loan Facility and the Company will be subject to the liquidity and other risks as set out under “Liquidity Outlook & Going Concern”. Under certain circumstances, in the event of termination of the Arrangement Agreement, the Company will be required to pay a termination fee to Silvercorp of C\$3.65 million.

ADDITIONAL CAPITAL

The ongoing operations, development and exploration of our properties will require substantial additional capital. While the Company believes that completing the Arrangement will provide it with access to capital necessary to fund the underground development, the Arrangement has not been completed and there are numerous conditions precedent to the completion of the Arrangement. See “- Transaction Completion Risk”. Moreover, additional financing beyond that provided by the Bridge Loan Facility and the Arrangement could be required to achieve commercial production from the underground development. In addition, as at the date hereof, not all of the conditions precedent to drawdown under the Bridge Loan Facility have been completed.

Failure to obtain sufficient financing may result in delaying or indefinite postponement of the underground project or exploration, development or production on any or all of our properties or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to us.

GLOBAL FINANCIAL CONDITIONS

In recent years (and in recent months) financial conditions have been characterized by volatility. Access to financing has been negatively impacted by many factors as a result of the COVID-19 pandemic, financial crises, markets generally, competition for limited capital from other industries, and the fluctuating price of gold. This may impact our ability to obtain equity or debt financing in the future on terms acceptable or favourable to us. A period of renewed uncertainty in the world capital markets could make any project debt component of any financing more expensive than anticipated or, in certain cases, unavailable. It is not uncommon for financial institutions to require some form of cost overrun facility, a price guarantee (hedging) program and/or a completion guarantee in association with the provision of project debt finance. Additionally, global economic conditions may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such volatility and market turmoil continue, our business and financial condition could be adversely impacted.

LEGAL PROCEEDINGS

We are subject to claims or legal proceedings covering a wide range of matters including claims related to ex-employees, claims that purport to be class actions and claims relating to our licenses and permits. These matters give rise to legal uncertainties, may have unfavorable results, and divert management's attention and resources.

On March 23, 2020, the Company announced that a statement of claim was filed on March 18, 2020 with the Ontario Superior Court of Justice to commence a proposed class action lawsuit against the Company and its former President and Chief Executive Officer, Scott Caldwell. The representative plaintiff named in the statement of claim is seeking an unspecified amount of damages for certain alleged misrepresentations made by the Company in its public disclosure during the period from December 14, 2017 to October 30, 2019. It has not been certified by the Court as a class action, nor has the required leave of the Court been sought under Section 138.8 of the *Securities Act* (Ontario) to commence the lawsuit. The Company intends to vigorously defend the claim; however, due to the inherent uncertainty of the litigation process, there can be no assurance that the Company's defence of any claim will be successful, or that the solution reached for any particular legal proceeding will not have a material adverse effect on our business, financial condition or results of operations.

LICENSING MATTERS

Our operations are subject to receiving and maintaining permits and licenses from appropriate governmental authorities. Although we currently have all required permits and licenses for our operations as currently conducted, there is no assurance that delays will not occur in connection with obtaining all necessary renewals of such permits and licenses for the existing operations or additional permits or licenses for all future operations. There can be no assurance that we will continue to hold all permits and licenses necessary to develop or continue operating at any particular property, or that any such licenses or permits awarded will not be cancelled pursuant to applicable legislation. There is no assurance that permits or licenses we require will be obtained in a timely manner, especially if the processes for approval are delayed by factors outside of our control or the control of the applicable permitting or licensing body (including factors such as a pandemic or epidemic).

Our interest in Aurora is held through a Mineral Agreement and Mining License that sets out a tax regime and development and production framework. All other properties are held through property licenses.

The Mineral Agreement and Mining License for Aurora require us to undertake various obligations and commitments over the twenty-year life of the agreements. The government of Guyana has the right to terminate the agreements in the event of default by written notice to us, subject to a dispute resolution process involving arbitration. There can be no assurance that we will continue to be in compliance with all terms and conditions of the Mineral Agreement and Mining License or assurance that any dispute resolution process will be decided in our favour.

EXPLORATION, DEVELOPMENT AND OPERATING RISKS

Mining operations generally involve a high degree of risk. Our operations are subject to all the hazards and risks normally encountered in the exploration, development and production of gold, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling, blasting 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.

In addition, such necessary precautions may cause delay or stoppage of the Company's mining activities. For example, on February 25, 2020, the Company announced that ore production and waste stripping could not continue to occur simultaneously while maintaining high safety standards, and that the Company expects that ore production from the open pit mining will be interrupted for between four and six months, starting in the second quarter of 2020, as the Company focuses on waste stripping. While the Company believes that this four to six month estimate is reasonable, there can be no certainty that such interruption will be resolved in that timeframe.

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 locate and establish Mineral Reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. In respect of the underground project, certain of the capital expenditures associated therewith are summarized in this MD&A but there could be other expenses associated with such development that are not foreseen at this time; moreover, any delay in the project could cause such expenses to be greater than anticipated.

It is impossible to ensure that the exploration or development programs planned by us will result in a profitable commercial mining operation, or that if such mining operations become profitable, that they will continue to be profitable. Specifically, there can be no assurance that the underground project will be profitable. Whether a mineral deposit will be commercially viable or maintain commercial viability depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices which are highly cyclical; external factors such as pandemics or epidemics; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection; as well as the ability to secure financing on terms acceptable to the Company to fund or continue exploration, operations and development. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in us not receiving an adequate return on invested capital.

There is no certainty that the expenditures made by us towards the search and evaluation of mineral deposits will result in discoveries of commercial quantities of ore, or that future operations at the Aurora Gold Mine will continue or be profitable.

GEOTECHNICAL RISKS

Geotechnical risks are present for any mining project where limited mining history and experiences with the rock mass behavior and response to mining conditions have been tested. Those risks stem from the limitations of drill hole and site-based observations as the mine develops the geotechnical and structural data and residual uncertainty in selected base case parameters. In such cases, it is important to assess potential ranges of outcomes and apply both empirical and numerical methods of rock mass strength and stress evaluation and conduct sensitivity analyses to understand the consequences of potential deviation from the base case. Third party consultants followed such process in respect of their work for us.

As part of the risk mitigation strategy, it was important to develop a design that has flexibility to address potential unexpected situations; such as hidden and undetected faults, or deviation from the ore body geometry etc., without major interruption to the mining process. The second important risk mitigation measure is the development and commissioning of comprehensive instrumentation and monitoring programs that will provide early warning and enable mine planners to develop an alternative approach as the mine develops. It was also noted that additional drilling to better define the geology, lithology and further geotechnical drilling would continue to improve the current knowledge.

For the underground mine development, numerical analyses have been conducted to test the sensitivity to in-situ stress in order to understand the consequences of the deviation from selected base case values. In-situ stresses of different magnitude or direction may have an effect on the zone of mining induced stress around the underground operation. However, we believe that such change is within the reasonable possible range of magnitude and/or direction and that it is not likely that it will result in a fatal flaw of the mining method and plan though it could potentially increase sloughing of the stope wall. Since the sub-level retreat (“SLR”) method can tolerate limited stope wall instability, we have obtained third-party advice and we believe that such conditions would not require a change in mining method. The sensitivity analyses have indicated that it is unlikely that stress changes within a reasonable range of magnitude or direction could result in uncontrollable collapse of the stope walls. Though we have implemented a monitoring program to provide early warning of changing conditions and have identified mitigation measures such as waste backfilling of the SLR stope excavation to be implemented, we cannot predict with certainty that such event will not occur or require us to consider a change in underground mining method, such as sublevel “caving” or other underground extraction methods.

We have also obtained advice from a third-party consultant on the amount of drilling and hydrogeological testing completed and we believe that it is unlikely that any unknown structures would cause a major impact on the mining plan. Though we believe that such structures would have been discovered during the early stages of the overburden stripping and would not come as unexpected surprises throughout the underground development, and mitigation measures in terms of grouting and increasing pumping or storage capacity have been incorporated into the underground design, we cannot predict with certainty that such events will not occur or require us to consider a change in underground mining method.

The open pit design criterion at the Aurora Gold Mine is currently based on the previous identified geotechnical domains. Regular site visits by our geotechnical consultants have provided a constant review and an update of the actual operating parameters as the open pit and underground mine have developed, which to date have not revealed and nor do we expect any additional geotechnical concerns.

OPEN PIT MINE RISKS

The current mining operation at the Aurora Gold Mine is located in a region that receives significant tropical rainstorms that could materially impact the mining operation. To minimize the risk, the mining schedule allows for delays due to poor weather, and the mine dewatering is designed to cope with these storm events. In order to minimize the impact of high rainfall, the mine has to adopt “wet mine” culture and recommendations in terms of water diversions, slope erosion preventions and back up pumping capacity have been implemented. With the global change in weather conditions, there is an elevated risk that significant rainfall outside the expected design parameters could cause additional production interruptions. The mine plan accounts for certain external dilution of the ore during the mining operations. This allowance is based on third party consultants’ practical open pit mining experience but requires accurate ore control modeling and field observations, followed by dig face demarcation and digging, in order to achieve the estimated dilution rates. If dilution is higher than estimated, it may result in the loss of certain ore blocks which will drop below the cut-off grade. The mine staff constantly review the actual operating results and make the appropriate adjustments to dilution factor, grade control practices and operations to minimize this risk.

UNDERGROUND MINE RISKS

There are no field-observed hydraulic conductivity values obtained for the potentially water conductive structures seen at the Aurora Gold Mine, except the flows observed in the open pit. There is currently no evidence of a significant hydraulic connection between the mine and the river. Higher than expected water inflows may cause delays in the mine plan and may increase the operating costs. To mitigate this risk, data collect from the open pit dewatering and additional hydrogeological modeling was completed to improve the understanding of the

potential underground inflows. Also, the underground mine design has 13,500 m³ of storage capacity in the decline and there is provision to increase pumping capacity to twice the capacity installed in the open pit. Additionally, the mine plan calls for the underground dewatering system to be operational prior to a hydraulic connection being established between the open pit and the underground operations. Although this would increase the operating cost, a third-party consultant has indicated that it would not be a fatal flaw in terms of the mine design.

Mudrush risk exists for the underground mine due to mining method, the hydrolic connection to the open pit and the heavy rainfall. This risk will be mitigated by partial pre-stripping of saprolites as part of the open pit mining and by implementation of proper dewatering and water diversion programs, such as perimeter drainage, collection sumps. Additional mitigation will be provided through the use of an active weather monitoring program and the rock blanket that will be maintained above the active draw points.

Timely supply of expatriate and skilled local personnel has the potential to be a significant risk to the success of the project. The ability to adequately train local un-skilled labour to the required level is also a key factor for the underground mine. To mitigate this risk, an international specialized underground mining contractor can be used in the preliminary years of mine development and they could also provide a comprehensive training program to allow for an orderly transition to a trained national underground workforce.

The capital expenditures and time required to develop these projects are considerable and changes in cost or construction schedules can significantly increase both the time and capital required to build the Mine and could cause the costs disclosed about under “2020 Outlook - Underground Development Project” to increase substantially. It is also not unusual in the mining industry to experience unexpected problems during the start-up phase, resulting in delays and requiring more capital than anticipated.

MINERAL PROCESSING RISKS

Our process plant is subject to a number of risks and hazards generally related to fire, chemical spills, mechanical or electrical equipment failure. Due to the remote nature of the operations, major component spares, such as mill motor, ring gear and pinion, are held on site along with a significant stock of reagents, fuel and other consumables require to operate the plant.

The process plant was designed and is operated to internationally acceptable standard. As ore hardness increases throughput in the plant could be negatively impacted. We have taken the necessary steps to mitigate this risk through our review of historical grinding data, recently completed plant upgrades and recent operations that have been conducted on 100% fresh rock extracted from the bottom of the current open pit. The process plant has been operating for 4 years and all the historical operating metallurgical data and laboratory testwork was reviewed and updated in the recently released Technical Report.

As the transition continues in the mine from predominantly saprolite ore to transition ores and then all fresh rock, gold recoveries could be impacted.

INFRASTRUCTURE RISKS

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect our operations, financial condition and results of operations. In addition, the maintenance or provision of such infrastructure could be impacted by the current COVID-19 pandemic. See “- COVID-19 Pandemic” risk.

INSURANCE AND UNINSURED RISKS

Our business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, work or production stoppage, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to our properties or the properties of others, delays in mining, monetary losses and possible legal liability.

We currently maintain directors' and officers' liability, general liability, construction, marine cargo, business interruption and other required insurances in such amounts as it considers to be reasonable. Accordingly, our insurance may not cover all the potential risks associated with a mining company's operations. We may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration, development or production is not generally available to us or to other companies in the mining industry on acceptable terms. We might also become subject to liability for pollution or other hazards which may not be insured against or which we may elect not to insure against because of premium costs or other reasons. Losses from these events may cause us to incur significant costs that could have a material adverse effect upon our financial performance and results of operations.

ENVIRONMENTAL RISKS AND HAZARDS

All phases of our operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for noncompliance, 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 our operations. Environmental hazards may exist on the properties on which we hold interests which are unknown to us at present and which have been caused by previous or existing owners or operators of the properties. Government approvals and permits are currently and may in the future be required in connection with our operations. To the extent such approvals are required and not obtained, we may be curtailed or prohibited from proceeding with planned exploration or development of our mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, 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 or in the exploration or development of mineral properties 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 and exploration companies, or more stringent implementation thereof, could have a material adverse impact on us and cause increases in exploration expenses, development costs, capital expenditures, operating costs or require abandonment or delays in development of new and existing mining properties.

Commercial production at the Aurora Gold Mine involves the use of sodium cyanide and other toxic chemicals. Cyanide used by the processing facility is destroyed prior to any previously contacted water being discharged to the environment as required by our operating permit. While all steps are taken to prevent discharges of pollutants

from our containment system, discharges into the ground water and the environment, may expose us to liability for cleanup, potential fines, temporary suspension of operations or permanent closure which may not be covered by insurance.

As announced on February 25, 2020, the Company has submitted an updated Environmental and Social Impact Assessment to the EPA for the entire underground project as required and believes it is on target to receive the required environmental approvals from the EPA. However, there can be no assurance that such approvals will be obtained at all or within any expected timeframe. For example, EPA response times may be delayed due to the COVID-19 pandemic. Failure to receive such approvals would result in the inability to continue the underground project, which would have a material adverse effect on the business, financial condition and results of operations of the Company.

UNCERTAINTY RELATING TO MINERAL RESOURCES

Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Due to the uncertainty which may attach to Mineral Resources, there is no assurance that Mineral Resources will be upgraded to Mineral Reserves as a result of continued exploration.

RELIABILITY OF RESOURCE AND RESERVE ESTIMATES

There is no certainty that any of the Mineral Resources or Mineral Reserves on any of our properties will be realized. Until a deposit is actually mined and processed the quantity of Mineral Resources or Mineral Reserves and grades must be considered as estimates only. In addition, the quantity of Mineral Resources or Mineral Reserves may vary depending on, among other things, metal prices. Any material change in quantity of Mineral Resources or Mineral Reserves, grade or stripping ratio may affect the economic viability of any project undertaken by us. In addition, there can be no assurance that gold recoveries or other metal recoveries in small scale laboratory tests will be duplicated in a larger scale test under on-site conditions or during production.

Fluctuations in gold and other base or precious metals prices, results of drilling, metallurgical testing and production and the evaluation of studies, reports and plans subsequent to the date of any estimate may require revision of such estimate. Any material reductions in estimates of Mineral Resources or Mineral Reserves could have a material adverse effect on our results of operations and financial condition.

UNCERTAINTY OF FEASIBILITY STUDY RESULTS & REVISIONS TO ESTIMATES

Feasibility studies are used to determine the economic viability of a deposit, as are pre-feasibility studies and preliminary assessments. Feasibility studies are the most detailed and reflect a higher level of confidence in the reported capital and operating costs. Generally accepted levels of confidence are plus or minus 15% for feasibility studies, plus or minus 25-30% for pre-feasibility studies and plus or minus 35-40% for preliminary assessments. These levels reflect the levels of confidence that exist at the time the study is completed.

Accordingly, we cannot be certain that future significant construction costs will not be required for the future development requirements at the Aurora Gold Mine, or that available funding will be sufficient.

MINE CLOSURE

Mine closure plans may materialize earlier than planned to reflect market conditions and closure costs may not be fully known for a period of time. The closure plan and site rehabilitation plan may be incomplete and not fully documented. Fully developed and detailed closure plans are still to be developed for the property.

LIMITED HISTORY OF MINERAL PRODUCTION

We did not previously have any interest in mineral producing properties prior to the commencement of commercial production at the Aurora Gold Mine on January 1, 2016. There is no assurance that commercial quantities of minerals will be discovered at any of our properties, or any future properties, nor is there any assurance that our exploration programs thereon will yield any positive results. Even if commercial quantities of minerals are discovered, there can be no assurance that any of our property will ever be brought to a stage where Mineral Resources can profitably be produced thereon, or that if brought to a stage of profitability (such as the Aurora Gold Mine) that such profitability will continue. Factors which may limit our ability to produce Mineral Resources from our properties include, but are not limited to, the price of the Mineral Resources which are currently being explored for, availability of capital and financing and the nature of any mineral deposits, the nature of any mineral deposits, the need to prioritize mine safety over production goals, and the mining methods used.

LAND TITLE

Although the title to the properties in which we hold an interest were reviewed by or on behalf of us, no formal title opinions were delivered to us and, consequently, no assurances can be given that there are no title defects affecting such properties. Title insurance generally is not available, and our ability to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be severely constrained. We have not conducted surveys of the claims in which it holds direct or indirect interests and, therefore, the precise area and location of such claims may be in doubt. Accordingly, our mineral properties may be subject to prior unregistered liens, agreements, transfers or claims, and title may be affected by, among other things, undetected defects.

In addition, we may be unable to operate our properties as permitted or to enforce our rights with respect to our properties.

COMPETITION MAY HINDER CORPORATE GROWTH

The mining industry is competitive in all of its phases. We face strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, precious and base metals. Many of these companies have greater financial resources, operational experience and technical capabilities than us. As a result of this competition, we may be unable to maintain or acquire attractive mining properties or skilled resources on terms it considers acceptable or at all. Consequently, our revenues, operations and financial condition could be materially adversely affected.

PRODUCTION AND COST ESTIMATES

We prepare estimates of future production, operating costs and capital costs for our operations. Despite our best efforts to budget and estimate such costs, as a result of the substantial expenditures involved in the development of mineral projects and the fluctuation and increase of costs over time, development and operating projects may be prone to material cost overruns or increases. Our actual costs may vary from estimates for a variety of reasons, including: increased competition for resources and development inputs; cost inflation affecting the mining industry in general; short term operating factors; revisions to mine plans; risks and hazards associated with mining; natural phenomena, such as inclement weather conditions, water availability, floods, and earthquakes; and unexpected labour shortages or strikes. Operating costs may also be affected by a variety of factors, including ore grade, metallurgy, labour costs, cost of commodities and other inputs, general inflationary pressures and currency exchange rates. Many of these factors are beyond our control. No assurance can be given that cost estimates will be achieved. Failure to achieve production or cost estimates, or incurring material increases in costs, could have a material adverse impact on our future cash flows, profitability, results of operations and financial condition.

The amount and timing of raising additional capital, which may involve debt or equity, or a combination of both, may be materially impacted by the economic climate in the capital markets. As a result, the cost and availability of any debt and or equity financing may be restricted. Accordingly, there can be no assurance that we will be able to raise sufficient funds to satisfy our contractual obligations or to further explore and develop our projects, as applicable, upon terms acceptable to us, or at all.

GOVERNMENT REGULATION

Our mining, processing, development and mineral exploration activities are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters.

Exploration and development may also be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on future exploration and production, price controls, export controls, currency availability, foreign exchange controls, income taxes, delays in obtaining or the inability to obtain necessary permits, opposition to mining from environmental and other non-governmental organizations, limitations on foreign ownership, expropriation of property, ownership of assets, environmental legislation, labour relations, limitations on repatriation of income and return of capital, limitations on mineral exports, high rates of inflation, increased financing costs, and site safety. This may affect both our ability to undertake exploration and development activities in respect of present and future properties in the manner contemplated, as well as our ability to continue to explore, develop and operate those properties in which it has an interest or in respect of which it has obtained exploration and/or development rights to date.

Although we believe that our exploration and operating 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 future exploration, development and mine production activities. Amendments to current laws and regulations governing operations and activities of mining and milling or more stringent implementation thereof could have a substantial adverse impact on us.

With respect to the Aurora Gold Mine, we hold the Aurora Mineral Agreement (“Mineral Agreement”) between the Government of Guyana and AGM Inc., an indirect wholly owned subsidiary of us, dated November 18, 2011. We are granted various concessions under the Mineral Agreement, including and among others, exemption of Value Added Taxes (“VAT”) on input costs to operate the Aurora mine. Amendments to the Mineral Agreement could have an adverse impact on the ability of us to collect VAT receivable, as well as future cost of operating the Aurora Mine.

TERRITORIAL RISK

During the fourth quarter of fiscal 2015, we received an unfounded notification of a possible legal claim from the Government of Venezuela that relates to recent developments regarding the Venezuela-Guyana border dispute. The Venezuela-Guyana border dispute was resolved and agreed upon by all parties under the 1899 Arbitration Agreement and any claims made outside of such agreement violate international law. The matter is currently before the United Nations, however Venezuela’s border claim is widely viewed by the international community to be without merit.

If the Aurora Gold Mine property subject to the Mining License issued by the Government of Guyana is encroached upon by the government of Venezuela, we would be unable to realize a recovery of amounts capitalized under mineral properties, plant and equipment, and would recognize a write-down of the full recorded value.

Political instability in relation to these or other matters could also have a material adverse impact upon our ability to access suitable financing on acceptable terms. Furthermore, we require consultants and employees to work in Guyana to carry out our planned exploration programs and operations, and in the event of civil unrest or war, it may be difficult to find or hire qualified people or to obtain all of the necessary services or expertise in Guyana at reasonable rates. In addition, although considered very unlikely, the possibility that Venezuela may secure control over the land underlying our property interests and the potential expropriation of such assets cannot be ruled out. The occurrence of these uncertainties cannot be accurately predicted and may constrain our ability to secure claim to our mineral properties, and/or impact our inability to operate our properties as permitted or enforce our rights with respect to our property interests. Any such loss, reduction or expropriation of our entitlements would have a material adverse effect upon us.

POLITICAL RISKS

All of our current operations are presently conducted in Guyana, South America and as such, our operations are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties include, but are not limited to, currency exchange rates; high rates of inflation; labour unrest; renegotiation or nullification of existing concessions, licenses, permits and contracts; changes in taxation policies; restrictions on foreign exchange; and changing political conditions; currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Future political actions cannot be predicted and may adversely affect us. Changes, if any, in mining or investment policies or shifts in political attitude in the country of Guyana may adversely affect our business, results of operations and financial condition. Future operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. The possibility that future governments may adopt substantially different policies, which may extend to the expropriation of assets, cannot be ruled out.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on our consolidated business, results of operations and financial condition.

We continue to maintain a community and social relations office in Guyana which is in part, responsible for management and monitoring of government relations. Our senior management meets with government representatives on a regular basis to support the continued operation of the Aurora Gold Mine.

LABOUR AND EMPLOYMENT MATTERS

While we have good relations with our employees, these relations may be impacted by changes in the scheme of labour relations which may be introduced by the relevant governmental authorities in whose jurisdictions we carry on business, unionization activity, or work stoppages.

The Company disclosed in a press release on July 3, 2019, that a work stoppage occurred at its Aurora mine on July 2, 2019. A phased resumption of work commenced on July 5, 2019 and was disclosed in a press release on the same day. On September 9, 2019, AGM received a Trade Union Certificate of Recognition from the Trade Union Recognition & Certification Board identifying the National Mine Workers Union as the majority union for workers employed at AGM in Guyana. The National Mine Workers Union is the bargaining unit that will represent AGM employees below the level of supervisor.

Adverse changes in legislation, the status of unionization activity and work stoppages may have a material adverse effect on our business, results of operations and financial condition.

SUBSIDIARIES

We conduct our operations through our domestic and foreign subsidiaries and holds certain of our assets through our subsidiaries. Accordingly, any limitation on the transfer of cash or other assets between us and our subsidiaries could restrict our ability to fund our operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on our valuation and stock price.

DEPENDENCE ON MANAGEMENT AND KEY PERSONNEL

We are dependent on the services of key executives, including our President and Chief Executive Officer, Chief Financial Officer, and a small number of highly skilled and experienced executives and personnel, which is sufficient for our present stage of operation. We also have an experienced management team supporting our production operations at the Aurora Gold Mine and is dependent upon the services of these individuals. Our development to date has largely depended, and in the future will continue to depend, on the efforts of key management and other key personnel to develop and operate the Mine. Loss of any of these people, particularly to competitors, could have a material adverse effect on our business. Further, with respect to the development and operation of our projects, it may become necessary to attract both international and local personnel. The marketplace for skilled personnel may become more competitive, which means the cost of hiring, training and retaining such personnel may increase. Factors outside our control, including competition for human capital and the high-level of technical expertise and experience required to execute the development and operation of our projects, will affect our ability to employ the specific personnel required. The failure to retain or attract a sufficient number of skilled personnel could have a material adverse effect on our business, results of operations and financial condition. We have not taken out and do not intend to take out key man insurance in respect of any directors, officers or other employees.

COMPETITION

The international mining industry is highly competitive. We may encounter competition from other mining companies in our efforts to hire and retain experienced mining professionals. Competition for services and equipment could cause future development and operating costs to increase materially, resulting in delays if services or equipment cannot be obtained in a timely manner due to inadequate availability, and increase potential scheduling difficulties and cost increases due to the need to coordinate the availability of services or equipment, any of which could materially increase future project development, operations, exploration or construction costs, result in project delays or both.

SHORTAGES AND PRICE VOLATILITY OF INPUT COMMODITIES AND EQUIPMENT

We are dependent on various input commodities (such as diesel fuel and cyanide) and equipment (including parts) to conduct our mining operations and development projects. A shortage of such input commodities or equipment or a significant increase in their cost could have a material adverse effect on our ability to carry out our operations and therefore limit, or increase the cost of, production. We are also dependent on access to and supply of water to carry out our mining operations, and such access and supply may not be readily available. Market prices of input commodities can be subject to volatile price movements which can be material, occur over short periods of time and are affected by factors that are beyond our control. An increase in the cost, or decrease in the availability, of input commodities or equipment may affect the timely conduct and cost of operations and

development projects. In addition, the supply of commodities and equipment may be impacted by travel restrictions in connection with the COVID-19 pandemic.

If the costs of certain input commodities consumed or otherwise used in connection with our operations and development projects were to increase significantly, and remain at such levels for a substantial period, we may determine that it is not economically feasible to continue with the underground project at our Aurora Gold Mine, which would have an adverse impact on our financial performance and results of operations.

HEDGING RISK

Our operation results can vary significantly with fluctuations in the market price of gold and to a lesser extent, with the price of certain consumables. From time to time, the Company may enter into derivative contracts to hedge these risks. On November 24, 2019, the company received approval from the Board of Directors to enter into unsecured, non-margin hedging transactions for up to a maximum of 75% of planned production volumes, no further than 6-months rolling forward. As at December 31, 2019, no such transactions had been executed. Historically, we have also entered into forward contracts for the purchase of diesel when deemed advantageous by management.

CONFLICTS OF INTEREST

Certain of our directors and officers also serve as directors and/or officers of other companies involved in natural resource exploration, development and/or operation, and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving us will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to our best interests and shareholders. In addition, each director is required to declare and refrain from voting on any matter in which such director may have a conflict of interest in accordance with the procedures set forth in the CBCA and other applicable laws.

CYBER SECURITY THREATS

Information systems and other technologies, including those related to our financial and operational management, are an integral part of our business activities. Network and information systems-related events, such as computer hackings, cyber-attacks, computer viruses, worms or other destructive or disruptive software, process breakdowns, denial of service attacks, malicious social engineering or other malicious activities, or any combination of the foregoing, or power outages, natural disasters, terrorist attacks or other similar events, could result in damage to our property, equipment and data. These events also could result in significant expenditures to repair or replace the damaged property or information systems and/or to protect them from similar events in the future. Further, any security breaches, such as misappropriation, misuse, leakage, falsification or accidental release or loss of information maintained in our information technology systems, including personnel and other data, could damage our reputation and require us to expend significant capital and other resources to remedy any such security breach. Insurance maintained by us against losses resulting from any such events or security breaches may not be sufficient to cover any consequent losses or otherwise adequately compensate us for any disruptions to our business that may result, and the occurrence of any such events or security breaches could have a material adverse effect on our business. There can be no assurance that these events and security breaches will not occur in the future or not have an adverse effect on our business.

COMPLIANCE WITH ANTI-CORRUPTION LAWS

We are subject to various anti-corruption laws and regulations including but not limited to the *Corruption of Foreign Public Officials Act* (Canada). In general, these laws prohibit a company and its employees and intermediaries from bribing or making other prohibited payments to foreign officials or other persons to obtain or retain business or gain some other business advantage. Our primary operations are located in Guyana and, according to Transparency International, the country of Guyana is perceived as having fairly high levels of corruption relative to the selected sample of countries around the world. We cannot predict the nature, scope or effect of future regulatory requirements to which our operations might be subject or the manner in which existing laws might be administered or interpreted. Failure to comply with the applicable legislation and other similar foreign laws could expose us and our senior management to civil and/or criminal penalties, other sanctions and remedial measures, legal expenses and reputational damage, all of which could materially and adversely affect our business, financial condition and results of operations. Likewise, any investigation of any potential violations of the applicable anti-corruption legislation by Canadian or foreign authorities could also have an adverse impact on our business, financial condition and results of operations, as well as on the market price of the Common Shares. As a consequence of these legal and regulatory requirements, we have instituted policies with regard to the code of business conduct and ethics. There can be no assurance or guarantee that such efforts have been and will be completely effective in ensuring our compliance, and the compliance of our employees, consultants, contractors and other agents, with all applicable anti-corruption laws.

LIMITED HISTORY OF EARNINGS OR DIVIDENDS

Prior to fiscal 2016, we had no history of earnings and as such we have not paid dividends on our Common Shares since incorporation. It currently intends to retain future earnings, if any, to fund the development and growth of our business. The payment of future dividends, if any, will be reviewed periodically by our Board of Directors and will depend upon, among other things, conditions then existing including earnings, financial condition and capital requirements, restrictions in financing agreements, business opportunities and conditions and such other factors deemed by the Board of Directors to be relevant at the time.

ACCOUNTING POLICIES AND INTERNAL CONTROL

With effect from November 1, 2011, we prepare our financial reports in accordance with IFRS. In preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining our financial condition. Significant accounting policies are described in more detail in our audited financial statements. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported, we have implemented and continue to analyze our internal control systems for financial reporting. Although we believe our financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, we cannot provide absolute assurance.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Except for statements of historical fact relating to us, certain information contained in this MD&A constitutes “forward-looking information” under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the impacts of the suspension of waste stripping; the length of time we will be in a period of care and maintenance; the impacts of COVID-19; project plans and milestones that are under development; future mining methods; the potential of our properties and investments; ore processing; the future price of gold; the impact of fluctuations in the price of gold and exchange rates; expected operating cash flows and capital costs for the Aurora Gold Mine; production and cost guidance for 2020; success, nature, costs and

timing of exploration and development activities; timing and anticipated costs and benefits of mill expansion and mine plan optimization activities, cost and timing of future exploration and development; the estimation of Mineral Resources and Reserves and any anticipated upside potential thereof; conclusions of economic evaluations; successful and profitable operations of the Aurora Gold Mine, including the impact of the 2020 LOM Plan; our ability to carry out the New LOM Plan; our ability to meet our most significant near-term liquidity and operating requirements, including operating requirements through 2020; financing requirements; maturity dates of our financial liabilities; our ability to manage exposure to fluctuations in the price of diesel; requirements for additional capital, mine expansion plans, underground development and the impacts of a delay in recommencing such development, expected improvements in mining, processing and general and administrative costs as well as proposed expanded exploration activities and related costs and other potential opportunistic investments in 2020; benefits and impacts of cost-saving initiatives; statements relating to the anticipated benefits of the Arrangement to the Company and its shareholders; receipt of required shareholder, court and other approvals for the; the ability of the Company and Silvercorp to satisfy the other conditions to, and complete, the Arrangement; the anticipated completion of the Arrangement; and other statements relating to our financial and business prospects. Generally, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “likely”, “might” or “will be taken”, “occur” or “be achieved”. Actual results may vary from forward-looking information. Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of our experience and our perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, and are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, our performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to:

- general business, economic, competitive, political and social uncertainties, including the impact on the Company’s operations of the COVID-19 global pandemic;
- our ability to meet significant near-term liquidity and operation requirements;
- our ability to obtain sufficient financing on terms acceptable to the Company to execute against the New LOM Plan;
- our ability to complete the Arrangement;
- risks related to litigation and legal proceedings;
- management’s expectations that requisite licenses and permits will be available upon terms acceptable to us;
- risks of increases in the anticipated total capital and operating costs relating to commercial production for the Aurora Gold Mine and our ability to meet such costs;
- the timing and amounts of expected cash outflows, and expected sales of gold, relating to operations at the Aurora Gold Mine;
- expectations that the positive reconciliation between actual tonnes mined versus the Mineral Reserve model at the Aurora Gold Mine will continue;
- conducting mining operations, 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, including the adverse impact on our cash flows;
- risks related to exploration, development and conducting mining operations, 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, including the adverse impact on our cash flows;
- the success of derivative transactions to establish a ceiling for a portion of our future diesel fuel purchases;

- unusual or unexpected geological formations encountered during development and/or mining operations;
- unanticipated operating events which can reduce production or cause production to be shut down or delayed;
- the fact that the Aurora Gold Mine is located in a region that is subject to significant annual rainfall that could impact mining operations;
- geotechnical, underground mine, mineral processing and infrastructure risks;
- risks related to uncertainty of feasibility study results & revisions to estimates;
- the risk that insurance may not be available to us on reasonable terms or at all;
- adherence to the terms and condition of the Mineral Agreement and Mining License with respect to the Aurora Gold Mine;
- uncertain political and economic environments;
- environmental hazards and industrial accidents;
- unionization of our work force in Guyana;
- governmental regulation, political stability in the regions in which we operate and environmental liability;
- access and supply risks;
- reliance on key personnel;
- risks that mill optimization efforts, efforts to increase mill capacity and other proposed improvements in mining and processing may not be as effective as proposed, or at all;
- risks related to disputes concerning property titles and interests;
- risks relating to changes in project parameters as plans continue to be redefined, including the possibility that mining, exploration and development operations at the Aurora Gold Mine and other exploration activities may not progress as currently proposed, and funds may be reallocated on a going forward basis;
- risks relating to variations and uncertainties in the estimation of Mineral Resources and Mineral Reserves, grade or recovery rates resulting from exploration and development activities (including risks that new Mineral Resources/Mineral Reserves may not be established, or existing Mineral Resources/Mineral Reserves may not be realized), with respect to both our properties and investments;
- risks relating to changes in gold prices and the worldwide demand for and supply of gold. Fluctuation in the price for gold may adversely affect our ability to obtain additional financing and influence the course of action taken in operating the Aurora Gold Mine;
- risks related to increased competition in the mining industry generally;
- risks related to current global financial conditions;
- risks related to the market price of our common shares;
- risks related to conflicts of interest;
- risks related to cyber security;
- risks related to compliance with anti-corruption laws;
- uncertain political and economic environments;
- our goal of creating shareholder value by concentrating on the acquisition, development and exploration of properties that have the potential to contain economic gold deposits;
- ability to source new, additional or replacement financing through other share or debt issuances in support of the Aurora Gold Mine, corporate general and administrative expenses, and exploration activities;
- future plans for the Aurora Gold Mine and other property interests held by us or which may be acquired on a going forward basis, if at all; and
- management's outlook regarding future trends, outlook and activities, including our ability to generate sufficient cash flow to cover operating requirements for the next 12 months.

In making the forward-looking statements in this MD&A, we have made assumptions regarding, but not limited to the following: present and future business strategies and the environment in which we will operate in the future, including the price of gold, anticipated costs and ability to achieve goals and future capital needs.

Forward-looking information is also subject to the risks further described in our Annual Information Form for the year ended December 31, 2019. Although our management has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. We do not undertake to update any forward-looking information, except in accordance with applicable securities laws. Accordingly, readers should not place undue reliance on forward-looking information.

TECHNICAL INFORMATION

INFORMATION CONCERNING ESTIMATES OF MEASURED, INDICATED AND INFERRED RESOURCES

The Mineral Reserve and Mineral Resource estimates in respect of our property interests were prepared in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”), as required by Canadian securities regulatory authorities. For United States reporting purposes, the United States Securities and Exchange Commission (“SEC”) applies different standards in order to classify mineralization as a reserve. In particular, while the terms “measured,” “indicated” and “inferred” Mineral Resources are required pursuant to NI 43-101, the SEC does not recognize such terms. Canadian standards differ significantly from the requirements of the SEC. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories constitute or will ever be converted into reserves. In addition, “inferred” Mineral Resources have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian securities laws, issuers must not make any disclosure of results of an economic analysis that includes inferred Mineral Resources, except in rare cases.

QUALIFIED PERSONS

The Company discloses scientific and technical information concerning its Aurora Gold Mine in accordance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects (“NI 43-101”). This MD&A discloses certain scientific and technical information about the Company, including information about Mineral Reserves and Mineral Resources. Such disclosure of scientific and technical information is based upon information prepared by or under the supervision of R. Dennis Bergen (P.Eng.) and Katherine M. Masun (P.Geo.) of RPA, both of whom are independent qualified persons for the purposes of NI 43-101.

Further information with respect to Mineral Reserves, Mineral Resources and data verification can be found in the technical report entitled “Guyana Goldfields Inc. - Technical Report on the Aurora Gold Mine, Guyana, South America” dated March 31, 2020 (effective date: December 31, 2019) and filed on SEDAR on April 8, 2020.

ACCOUNTING DISCLOSURES

NATIONAL INSTRUMENT 52-109 DISCLOSURE

Our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) are responsible for establishing and maintaining disclosure controls and procedures (“DC&P”) and internal controls over financial reporting (“ICFR”),

as those terms are defined in National Instrument 52-109 for us. Our controls are based on the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) (2013) framework.

Our CEO and CFO certify that our DC&P have been designed to provide reasonable assurance that material information relating to us is made known to them by others, particularly during the period in which interim filings are being prepared; and information required to be disclosed by us in our annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. They also certify that our ICFR have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

During the current period there have been no changes in our DC&P or ICFR that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Our management, including the CEO and CFO, believe that any disclosure controls and procedures and internal controls over financial reporting, no matter how well designed, can have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance that the objectives of the control system are met.

CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

We describe our significant accounting policies in Note 3 “Significant Accounting Policies” as well as any changes in accounting policies in Note 31 “IFRS 16 Transition Adjustment” of the 2019 Consolidated Financial Statements.

Effective January 1, 2019, we have adopted IFRS 16 which specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases.

At inception of a contract, we assess whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

We have elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component.

We recognize a right-of-use asset and a lease obligation at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if we are reasonably certain to exercise that option. Lease terms range from 3 to 45 years for mining service contracts and rental of lands. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation.

The lease obligation is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, our incremental borrowing rate. Generally, we use an incremental borrowing rate as the discount rate.

Subsequent to initial measurement, the lease obligation is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or

rate, if there is a change in our estimate of the amount expected to be payable under a residual value guarantee, or if we change its assessment of whether it will exercise a purchase, extension or termination option.

When the lease obligation is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

We have elected to apply the practical expedient not to recognize right-of-use assets and lease obligations for short-term leases that have a lease term of twelve months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses and other income for the reporting period.

Judgments, estimates and assumptions are periodically evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Areas of judgment, estimate and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Mineral reserves and resources

We estimate our Mineral Reserves and Mineral Resources based on information compiled by qualified persons as defined in accordance with NI 43-101, issued by the Canadian Securities Administrators. Mineral Reserves are estimates of the amount of ore that can be economically and legally extracted from our mining properties.

There are numerous estimates in determining Mineral Reserves and Mineral Resources. Such estimation is a subjective process, and the accuracy of any Mineral Reserve or Mineral Resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgements used in engineering and geological interpretation. Changes to management's assumptions and judgements made in estimating the size and grade of the ore body, metallurgical assumptions made in estimating recovery of the ore body, including economic estimates of commodity prices, production costs, future capital requirements, and exchange rates, will impact Mineral Reserve and Mineral Resource estimates.

These estimates and assumptions valid at the time of estimation may change significantly when new information becomes available. This may result in a change in the economic status of the Mineral Reserve and may ultimately result in Mineral Reserves being revised.

Changes in the Mineral Reserve or Mineral Resource estimates may impact the carrying value of mineral properties, plant and equipment, the calculation of depreciation expense, asset retirement obligations, the recognition of deferred tax amounts and going concern assumption.

Valuation of inventories

We also assess our inventory for impairment and estimates the net realizable value. If carrying value exceeds net realizable value, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused the write-down no longer exists.

Impairment of assets

We assess our long-lived assets at the end of each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, an estimate of the recoverable amount is made, which is considered to be the higher of the FVLCD and value in use. The determination of the recoverable amount requires the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and future operating performance. An impairment loss is recognized if the recoverable amount exceeds the carrying amount of the asset. Impairment losses are recognized in net income. An impairment loss is reversed to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been recognized, net of depreciation or amortization, if no prior impairment loss was recorded.

FVLCD is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties. Value in use is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of approved future expansion plans and eventual disposal. Cash flows are discounted by an appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Changes in any of the assumptions or estimates used in determining the fair value could impact the impairment analysis.

Income taxes

Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences") and losses carried forward.

The determination of our ability to utilize tax loss carry forwards to offset deferred tax liabilities requires management to exercise judgment and make certain assumptions about our future performance. Management is required to assess whether it is "probable" that we will benefit from these prior losses and other deferred tax assets. Changes in economic conditions, gold prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilization of the losses.

Asset retirement obligation

Liabilities for asset retirement obligations are recognized at the time of environmental disturbance, in amounts equal to the discounted value of expected future mine reclamation and closure costs. Our provision for asset retirement obligations represents management's best estimate of the present value of the future cash outflows required to settle the liability. Factors that affect the final cost of remediation include estimates of the extent and costs of rehabilitation activities, the expected timing, technological changes, cost increases and changes in discount rates. Changes in the above factors can result in a change to the asset retirement obligation recognized by us. This liability is reassessed and re-measured at each reporting date.

Contingencies

The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur.