ELY GOLD ROYALTIES INC.

MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended December 31, 2019

INTRODUCTION

This Management Discussion & Analysis ("MD&A") is provided to enable the reader to assess material changes in financial condition and results of operations of Ely Gold Royalties Inc. ("Ely Gold" or the "Company") for the year ended December 31, 2019. This MD&A should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2019 and 2018, prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). This MD&A complements and supplements, but does not form part of the Company's consolidated financial statements.

This MD&A is prepared in conformity with National Instrument 51-102F1. All dollar amounts referred to in this discussion and analysis are expressed in Canadian dollars, except where indicated otherwise. This MD&A has taken into account information available up to and including April 9, 2020.

The Company is a reporting issuer in the provinces of British Columbia and Alberta in Canada and is listed on the TSX Venture Exchange (the "Exchange") under the symbol "ELY" and on the OTCQB in the United States under the symbol "ELYGF".

Additional information related to the Company is available on SEDAR at www.sedar.com. The Company's website is at http://www.elygoldinc.com

FORWARD-LOOKING STATEMENTS

This MD&A contains "forward-looking statements" within the meaning of applicable Canadian securities legislation, which include all statements, other than statements of historical fact that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future. Statements regarding the adequacy of cash resources to carry out the company's business, potential profit from royalties, or the need for future financing are forward-looking statements. Readers are advised to refer to the cautionary language below when reading any forward-looking statements.

These include, without limitation:

- the Company's anticipated results and developments in the Company's operations in future periods;
- expected future benefits from royalties related to mineral properties;
- planned acquisition, disposition, exploration and development of its mineral properties;
- planned expenditures and budgets;
- evaluation of the potential impact of future accounting changes;
- estimates concerning share-based payments and carrying value of properties; and
- other matters that may occur in the future.

These statements relate to analyses and other information that are based on expectations of future performance and planned work programs.

Statements concerning mineral resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if the related property is developed.

With respect to forward-looking statements and information contained herein, the Company has made a number of assumptions with respect to, including, among other things, the price of gold and other metals, economic and political conditions, and continuity of operations. Although the Company believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that forward-looking statements or information contained or incorporated by reference herein will prove to be accurate.

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors, which could cause actual events or results to differ materially from those expressed or implied by the forward-looking statements, including, without limitation:

- *fluctuations in mineral prices;*
- *the Company's dependence on a limited number of mineral projects and royalties;*
- *the nature of mineral exploration and mining and the uncertain commercial viability of certain mineral deposits;*
- *the Company's lack of operating revenues;*
- *the Company's ability to obtain necessary financing to fund the development of its mineral properties or the completion of further exploration programs;*
- *jurisdiction operating risks that can over time include changes in political, economic, regulatory and taxation regimes;*
- *governmental regulations and specifically the ability to obtain necessary licenses and permits;*
- *risks related to the Company's mineral properties being subject to prior unregistered agreements, transfers or claims and other defects in title;*
- *fluctuations in the currency markets;*
- *changes in environmental laws and regulations that may increase costs of doing business and restrict the Company's operations;*
- *risks related to the Company's dependence on key personnel;*
- *estimates used in the Company's consolidated financial statements proving to be incorrect;*
- *the impact of general business and economic conditions;*
- *the ongoing operation of the properties in which the Company holds a royalty, stream, or other production-base interest by the owners or operators of such properties in a manner consistent with past practice;*
- *the accuracy of public statements and disclosures made by the owners or operators of such underlying properties;*
- *the Company's ongoing income and assets relating to determination of its PFIC status;*
- *no material changes to existing tax treatment;*
- *no adverse development in respect of any significant property in which the Company holds a royalty, stream or other production-base interest;*
- *the accuracy of publicly disclosed expectations for the development of underlying properties that are not yet in production;*
- *integration of acquired assets;*
- *actual results of mining and current exploration activities;*
- *conclusions of economic evaluations and changes in project parameters as plans continue to be refined;*
- *problems inherent to the marketability of precious metals;*
- *stock market volatility;*

- *mine or exploration project closings or delays due to health pandemics, war, terrorism, or other yet unknown global or regional man made or natural catastrophes;*
- *competition; and*
- *the absence of any other factors that could cause actions, events or results to differ from those anticipated, estimated or intended.*

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking statements. The Company's forward-looking statements are based on beliefs, expectations and opinions of management on the date the statements are made. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

OVERVIEW

The Company's registered office is Suite 2833 – 595 Burrard St, P.O. Box 49195, Vancouver, British Columbia, Canada, V7X 1J1.

The Company's operations are conducted through Ely Gold and its wholly owned subsidiaries, Nevada Select Royalty, Inc. ("Nevada Select"), Voyageur Gold Inc. ("Voyageur"), DHI Minerals Ltd. ("DHI") and its subsidiary DHI Minerals (US) Ltd. ("DHI US").

The Company is a development stage natural resource royalty company engaged in the evaluation, acquisition, exploration and development of mineral projects with the objective of purchasing royalties from third parties and selling the projects to produce revenue and retain royalties. The Company is currently focused on:

- purchasing producing royalties on precious metal properties;
- purchasing development stage royalties on precious metal properties being advanced by third parties;
- acquiring exploration and development stage gold projects, to be sold to third parties while retaining royalties; and
- maintaining a focus on royalties and properties in North America, primarily in Nevada.

Ely Gold's current portfolio includes 35 deeded royalties and 20 properties, which are optioned to third parties. Within the portfolio, the Company has two producing royalties. Ely Gold owns 24 additional mineral properties, which are currently being marketed for sale. The Company sells 100% of a property generally for cash or under a four-year option contract. The Company occasionally accepts shares of stock from its purchasers and Ely Gold usually retains a royalty interest when a property is sold.

STRATEGY AND OUTLOOK

The Company's business model is designed to create value for investors without excessive dilution of its shareholders. Through its wholly owned subsidiary, Nevada Select, the Company is focused on developing recurring cash flow streams through the acquisition, consolidation, enhancement, and resale of highly prospective, unencumbered North American precious metals properties. Ely Gold's property development efforts maximize each property's potential for acquisition, while reserving significant royalty interests.

The recoverability of costs capitalized to royalties and mineral properties and the Company's future financial success is dependent upon the extent to which economic gold mineralized bodies can be developed into producing mines and these producing mines can further be expanded through the discovery of additional economic ore bodies. Such development may take years to complete and the amount of resulting income, if any, is difficult to determine with any certainty. Many of the key factors for advancing the Company's projects to production are dependent on outside factors, such as, obtaining the necessary rights and permitting, which need to be granted from certain local and governmental agencies located in the jurisdictions that the Company operates in or which these ore bodies exist. Additional risk factors that may affect the financial success of the Company and its consolidated financial statements and the risk factors related to mineral exploration and development are set out under the heading **Risks and Uncertainties** listed below.

The Company knows of no trends, demands, commitments, events or uncertainties outside of the normal course of business that may result in the Company's liquidity either materially increasing or decreasing at the present time or in the foreseeable future. Material increases or decreases in the Company's liquidity are substantially determined by the success or failure of the Company's royalty and option programs. The overall market conditions for smaller resource companies is another significant risk factor. The Company is not aware of any seasonality in the business that may have a material effect upon its financial condition, other than those normally encountered by public reporting junior resource companies. The Company is not aware of any changes in the results of its operations that are other than those normally encountered in its ongoing business.

HIGHLIGHTS

During the year ended December 31, 2019, the Company received total gross proceeds from option and royalty payments and disposition of mineral and royalty interests of $3,079,016 (2018 - $1,222,764) from these proceeds $186,761 (2018 - $257,140) represent recovery of acquisition costs and are included as a reduction of mineral and royalty interests $1,275,004 (2018 - $810,070) represent option and royalty payments included as income in and the consolidated financial statements and $1,635,251 were proceeds on the sale of mineral properties of which $918,416 (2018 - $384,548) are recorded as income in the consolidated financial statements.

Royalty Acquisitions

- On April 18, 2019, the Company acquired from Devon Canada Corporation 100% of all rights and interests in a 2% net smelter return ("NSR") royalty on the Fenelon Mine Property ("Devon Fenelon Royalty"), operated by Wallbridge Mining Company Ltd. ("Wallbridge") and located in west-central Québec, for cash consideration of $600,000 (paid). This purchase was in addition to the 1% NSR royalty acquired from Balmoral Resources Ltd. ("Balmoral Fenelon Royalty") which was subsequently sold. Wallbridge completed a bulk sample in 2019 and reported mining of 33,233 tonnes of ore with a reconciled average grade of 18.49 g/t gold containing 19,755 ounces of gold that were processed at the Camflo Mill. Wallbridge is currently permitting Fenelon for production at a rate of 400-500 tons per day and Wallbridge expects permit approval by Q3 2020, with mining operations to resume immediately thereafter. Wallbridge has an ongoing 70-80,000-metre 2019 drill program. A total of over 56,000 metres has been drilled to date in 2019 from surface and from the sixth level of the underground mine.

On September 30, 2019, the Company and Wallbridge agreed to amend certain terms and conditions of the 2% NSR royalty in the property. Whereby effective June 30, 2019, it was agreed that:

- Wallbridge will acknowledge the royalty and support its registration with the appropriate Ministries in Quebec (the royalty is now registered with Registre Public des Droits Miniers, Reels et immobiliers;
- Payment of the royalty on bulk samples at Fenelon will only apply after the effective date; and
- Toll milling will not be considered a deductible expense when calculating royalty payments.

Subsequent to the sale of the Balmoral Fenelon Royalty, Ely Gold holds a 2% NSR royalty on the Fenelon Mine Property from the purchase of the Devon Fenelon Royalty.

- On April 27, 2019, the Company acquired from a private estate a 0.75% gross receipts royalty on the Isabella Pearl Mine, operated by Gold Resource Corporation (NYSE American: GORO), located in Mineral County, Nevada. Under the terms of the agreement, the Company acquired the 0.75% gross receipts royalty for cash consideration of US$300,000 (paid). On October 7, 2019, GORO announced that its Isabella Pearl Mine had reached commercial production. Royalty payments are expected to begin in Q4 2019. The first royalty payment to Ely Gold is subject to the recovery, by GORO, of US$62,500 in advanced royalty payments. GORO has projected 2020 production of 29,000 ounces GOE from Isabella Pearl with production increasing to 40,000 in 2021. Exploration and drilling have begun on the Isabella Pearl Extension on which Ely Gold has a 2.5% NSR royalty. This property is adjacent to the current operations, extends for six miles and has several drill ready targets.

- On September 10, 2019, the Company entered into an agreement with a private individual to acquire 100% of all rights and interests to a 1% NSR on the Lincoln Hill Property, operated by Coeur Mining Inc. (“Coeur”), for cash consideration of $750,000 and by issuing 500,000 common share purchase warrants entitling the holder to purchase one common share of the Company for a period of two years from the closing date at an exercise price of $0.18. As consideration, the Company agreed on payment of US$400,000 at closing (paid January 1, 2020) and US$350,000 payable by September 10, 2020. The 2020 payment will accrue simple interest at 5% and be secured by the Lincoln Hill Royalty. In addition, the Company issued 500,000 common stock purchase warrants. Each warrant will allow the seller to purchase one share of Ely Gold common stock at $0.18 for two years from the closing date. The purchase agreement includes a right of first refusal if the seller disposes of an additional 1% royalty they currently hold.

  Coeur is advancing the Lincoln Hill deposit adjacent to their Rochester Mine in conjunction with their expanded plan of operations for Rochester, called POA11. Permitting is nearly complete for a new 300-million-ton leach pad that will be built between the Rochester Pit and Lincoln Hill. Coeur is reporting a measured and indicated gold mineral resource of 364,000 ounces at 0.34 g/t gold with 10 million ounces of 9.6 g/t silver with inferred ounces are 255,000 ounces gold at 0.34 g/t and 8 million ounces silver at 11.2 g/t, respectively, at Lincoln Hill. The silver grades at Lincoln Hill are about equal to those at Rochester while the gold grades at Lincoln Hill are approximately 45.5 times greater than the gold grades at Rochester. Confirmation drilling is expected to begin this year.

- On September 9, 2019, Ely Gold closed the purchase of 100% of all rights and interests in a per ton royalty interest ("PTR Interest") on the Jerritt Canyon Processing Facilities from an arm’s length third party. The Jerritt Canyon Operations, located in Elko, Nevada, are operated by Jerritt Canyon Gold LLC, a privately held company. Ely Gold paid the private company US$650,000 with payments to be spread over three years and issuing 500,000 warrants. The mineral processing operation at Jerritt Canyon, the only gold processing plant in Nevada, outside the Barrick/Newmont JV, that uses roasting in its treatment of refractory ores. Jerritt Canyon is designed to process highly refractory gold ores up to 4,000 TPD and, in 2017, processed in excess of 1.1 million tons and 1.2 million tons in 2018. Ely Gold is now receiving a monthly royalty from Jerritt Canyon Gold calculated at $0.225 per ton. Per ton royalty rates are leveraged to the gold price and will increase to $0.30 at US$1,600 gold and $0.40 at a US$2,000 gold price. Since closing the acquisition and the filing date, Ely Gold has received US$82,889 in royalty payments from the PTR Interest.

- On December 18, 2019, the Company signed a binding term sheet for the purchase and assignment of a 15% net profit interest ("NPI") from Pilot Gold USA Inc., a Delaware corporation and wholly-owned subsidiary of Liberty Gold Corp. for $800,000 cash (paid subsequent to year end) and issue 2,000,000 warrants priced at $0.43 for Ely Gold common shares, at closing. The agreement closed on March 13, 2020.

  The principal entitlement under the NPI is the right to 15% of the net profits from the recovery and sale of minerals from certain unpatented mining claims located in Mineral County, Nevada, USA. The interest also includes the possibility of bonus payments for each AuEq oz. from the Regent Hill Property placed on leach pads after the first 115,000 AuEq oz. Quarterly bonus payments per AuEq ounce will be based on a pricing grid providing for payments coming into effect when the monthly average gold price per ounce for each applicable quarter are US$1,400 or more, commencing at US$5.775 per AuEq ounce and increasing to as much as US$29.05 per AuEq ounce if the monthly average exceeds US$1,800 per ounce.

- On February 3, 2020, the Company entered into an agreement with Eric Sprott of Toronto, Ontario ("Sprott") to acquire from a 0.50% net smelter returns royalty on the gold producing Jerritt Canyon Mine facility, located in Elko Nevada and currently operated by Jerritt Canyon Gold LLC, a private Nevada limited liability company.

  As consideration for the, the Company has agreed to pay $8,000,000 to Sprott, payable by issuance of 12,698,413 Ely Gold common shares at a deemed issue price of $0.63 per share (the "Ely Gold Shares"). In connection with its assistance with the Transaction, the Company has agreed to pay a finder's fee to Medalist Capital Ltd. comprising a cash fee of 1.0% of the Transaction price, plus 300,000 Ely Gold Share purchase warrants each exercisable over a three-year term to purchase one Ely Gold Share at an exercise price of $0.63 per share. All of the Ely Gold securities issued in the Transaction will be subject to a four-month hold period pursuant to applicable TSX Venture Exchange ("TSXV") policies and applicable securities laws.

  The Transaction remains subject to certain customary commercial conditions, including Ely Gold's completion of its due diligence, settling definitive Transaction documentation. The Company has received conditional approval by the TSXV and is subject to shareholder approval for Sprott to become a new control person.

- On April 2, 2020 the Company closed a purchase agreement to acquire a 3.5% NPI on the Ren Property in Elko Nevada for total proceeds of US$500,000. The Ren Property is part of the joint venture between Barrick Gold Corporation and Newmont Corp forming Nevada Gold Mines.

Exploration Property Acquisitions

- On April 1, 2020, the Company closed an agreement for the purchase of 100% interest in seventy-five (75) patented mining claims from Cliff ZZ LLC, a Nevada limited liability company. The patented claims are located in Esmeralda and Nye Counties, Nevada and are known as the Tonopah Extension Claims. The Company currently holds 23 patented mining claims and 17 unpatented mining claims contiguous to the Tonopah Extension. As consideration the Company will pay Cliff ZZ $650,000 in cash and issue 600,000 share purchase warrants. Each warrant will be exercisable into one common share at $0.65 for a period of two years. Cliff ZZ will not retain any royalties after Closing. Closing of the transaction is subject to TSXV approval and final due diligence. Closing is expected on or about May 2, 2020.

- On March 26, 2020, the Company closed an agreement to purchase eight unpatented mining claims in Eureka County, Nevada. The Claims are currently leased to a subsidiary of McEwen Mining Inc. and the Agreement includes an assignment of the leases to the Company. On closing the Company paid the initial US$125,000 payment.

  Under the terms of the Agreement, the Company will:
  - purchase two HNT Claims and assume the corresponding lease;
  - purchase six JAM Claims and assume the corresponding lease;
  - pay the seller US$125,000 at Closing;
  - and issue 100,000 share warrants to the Seller.

  The Warrants will expire two years from Closing and each Warrant will allow the Seller to purchase one share of the Company's common stock at a price of CAN$0.77. The annual lease payment covering the HNT Claims is US$5,000 and the annual lease payment covering the JAM Claims is US$7,000. Both leases provide for a 2.0% net smelter returns royalty at current gold prices.

- On February 24, 2020, the Company entered into an agreement with VEK Associates, a privately held Nevada corporation whereby the Company will acquire 100% of the outstanding shares of VEK for cash consideration of US$5,000,000, plus 2,005,164 share purchase warrants of the Company,

  VEK's principal assets are made up of the following five royalty properties and leases:

  - REN Property- currently leased to Nevada Gold Mines, consists of 86 contiguous unpatented lode mining claims located in the Northern Carlin Trend.
  - Marigold Property- currently leased to SSR Mining consists of 205 unpatented lode mining claims covering 7.8 square kilometres within the SSR Mining operation on the Battle Mountain-Eureka trend
  - Lone Tree Property- currently leased to Nevada Gold Mines consists of 38 unpatented lode mining claims covering 3.2 square kilometres along the Battle Mountain Eureka, Nevada
  - Pinson Property- currently leased to Nevada Gold Mines consists of 53 unpatented lode mining claims covering 4.4 square kilometres along the Osgood Mountain trend in sections 4, 8 and 16, Township 37N, Range 42E, in Humboldt County, Nevada
  - Carlin Trend Property- currently leased to Nevada Gold Mines y consists of 84 unpatented lode mining claims covering 7.0 square kilometres along the Carlin Trend in sections 1, 2, 3, 10, 11, 12, 20, 21, 28 ,34 and 35 Township 35N and 36N, Range 49E and 50 in Eureka County, Nevada

Exploration Property and Royalty Dispositions

- On June 10, 2019, the Company completed the sale of 100% of all rights and interests in its 1% NSR Balmoral Fenelon Royalty on the Fenelon Mine Property to 2176423 Ontario Ltd., a company controlled by Eric Sprott ("Sprott"). Under the terms of the Agreement, Sprott paid Ely Gold a cash consideration of US$1,250,000 (received) for the Fenelon Royalty. Subsequent to the sale, Ely Gold will retain a 2.0% royalty on the Fenelon Mine Property.

- On July 24, 2019, the Company through its wholly owned subsidiary, DHI US, signed a purchase option agreement with Contact Gold Corp. and its US operating entity, Clover Nevada II LLC (collectively, “Contact Gold”), whereas Contact Gold will acquire an undivided 100% interest in the past-producing Green Springs gold project, located in White Pine County, Nevada. As consideration Contact Gold issued 2,000,000 common shares of Contact Gold, and will make total payments of US$275,000 over a four year period and the reimbursement of prepaid claims fees relating to Green Springs.

  Anniversary payment amounts may be made in cash or in Contact Gold's common shares at Contact Gold's election. Payment of all amounts can be accelerated and completed at any time. Besides making claim fee payments, Contact Gold will assume all Cox lease payments and the EMX advance royalty payments for the term of the option.

- On November 27, 2019 the Company signed a definitive purchase agreement for the sale of 100% of its Gold Bar Project to McEwen Mining Nevada Inc, a wholly owned subsidiary of McEwen Mining Inc. Under the terms of the Agreement, McEwen will issue to Ely Gold 53,600 shares of its common stock in exchange for 100% ownership in the Patented and Unpatented Claims. In addition, McEwen will reimburse Nevada Select US$38,096 for the 2020 claim fees and taxes. Nevada Select will retain a two percent (2%) net smelter return royalty on the Patented and Unpatented Claims. McEwen can purchase one percent (1%) of the royalty on the Patented Claims for US$1,000,000 and one percent (1%) of the royalty on the Unpatented Claims for US$2,000,000. The Agreement is subject to approval of the New York Stock Exchange and the Toronto Stock Exchange.

- On December 3, 2019, the Company entered into an option agreement for the sale of 100% interest of its Butte Valley Project consisting of seventy-eight (78) unpatented mining claims located in White Pine County, Nevada to Six Mile Mining Company, a subsidiary of Quaterra Mining Inc.

  Under the terms of the Agreement to earn 100%, Quaterra will pay the Company a total of $250,000 in cash payments and reimburse $24,711 for the 2020 claim fees, taxes and staking costs. The Company will retain a two percent (2%) net smelter returns royalty on the Company’s Claims. Quaterra can purchase one percent (1%) of the royalty for US$10,000,000 at any time within ten (10) years of the Effective Date.

- On April 1, 2020, the Company closed a purchase option agreement with Blackrock Gold Corp for the Company's Tonopah West Project, located in Nevada, for total proceeds of US$3,000,000, with the Company retaining a 3% net smelter returns royalty with no buydown and after the final payment Blackrock will pay the Company an annual advance minimum royalty payment of US$50,000 commencing once the option is exercised. As a condition of Closing, the Company will complete the acquisition of the Cliff ZZ land. On closing the Company received the first payment of US$325,000 as described below.

  As consideration Blackrock Gold Corp.'s wholly owned US subsidiary will make the following payments:

  - US$325,000 on Closing (received);
  - US$325,000 on the 1st Anniversary of Closing;
  - US$650,000 on the 2nd Anniversary of Closing;
  - US$700,000 on the 3rd Anniversary of Closing; and
  - US$1,000,000 on the 4th Anniversary of Closing (the "Final Payment").

Corporate Matters

- On July 2, 2019, the Company closed a private placement consisting of 5,615,454 units at a price of $0.18 per unit for gross proceeds of $1,010,782. Each unit comprises one common share and one-half of one non-transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share for a period of three years at an exercise price of $0.30. The Company paid a finder's fee of $60,647 and issued 336,927 share purchase warrants. Included in share issue cost is the fair value of the finder's warrants calculated at $40,472 using the Black-Scholes option pricing model.

- Effective June 30, 2019, the Company appointed Mr. Xavier Wenzel as its Chief Financial Officer ("CFO"). Mr. Wenzel's appointment coincided with Mr. Scott Kelly stepping down as CFO to pursue other business opportunities.

- On February 6, 2019, the Company repaid the remaining loan payable owing to Platoro West for a total cash outlay of $185,466.

- On January 21, 2019, the Company entered into a definitive agreement with Delamar Mining Company ("Delamar") whereby Delamar can acquire a 100% interest in an Idaho State Lease on the War Eagle property by making US$200,000 in option payments within four years from the date of closing.

- On January 17, 2019, the Company closed a private placement consisting of 3,000,000 units at a price of $0.11 per unit for gross proceeds of $330,000. Each unit comprised one common share of the Company and one non-transferrable share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at an exercise price of $0.22 for a period of five years, subject to an acceleration provision under which, if at any time after May 17, 2019 the daily volume weighted average trading price of the Company's common shares is higher than $0.60 per share on the TSXV for more than 20 consecutive trading days, the Company may, within three trading days, issue a news release announcing that the Warrants will expire on the date that is 30 calendar days after such 20th trading day. The Company incurred shares issuance costs of $1,319. As at December 31, 2018, the Company had received $47,315 in advanced subscription receipts. Included in share issue cost is the fair value of the finder's warrants calculated at $36,221 using the Black-Scholes option pricing model.

- During the year ended December 31, 2019, 700,000 common shares were issued from the exercise of stock options for total proceeds of $79,500.

- From the period January 1, 2020 to the date of this MD&A 18,194,654 share purchase warrants have been exercised for total proceeds of $4,083,397.

- During the year ended December 31, 2019, 810,000 common shares were issued from the exercise of share purchase warrants for total proceeds of $129,850.

- From the period January 1, 2020 to the date of this MD&A 50,000 stock options have been exercised for total proceeds of $13,500.

  During the year ended December 31, 2019, the Company granted 2,050,000 stock options to directors, officers and consultants at an exercise price of $0.27 per share and paid a total of $271,740 in bonuses to key management.

- From the period January 1, 2020 to the date of this MD&A 2,400,000 stock options have been granted to consultants and employees of the Company. 900,000 of these stock options are exercisable at $0.57 per share of a period of two years and vest 25% on the date of grant and 25% three, six and nine months after the date of grant. 1,500,000 of these stock options are exercisable at $0.68 per share of a period of five years and vest immediately. This stock option grant is subject to TSXV approval.

- On November 29, 2019, the Company entered into an agreement with Eric Sprott whereby Sprott will provide the Company with a $6,000,000 line of credit (the “LOC”). Pursuant to the Financing terms, the LOC is available to the Company, as and when required, until November 29, 2021. Interest on principal outstanding under the LOC will bear interest at 10.0% per annum, with undrawn amounts of the LOC carrying a stand-by fee of 2.5% per annum, compounded monthly and payable quarterly. The LOC is secured by a registered security interest over all of the Company's assets, subordinate only to existing prior encumbrances.

  In connection with the LOC, the Company has issued Sprott 16,216,215 non-transferrable loan bonus warrants (the "Bonus Warrants"). Each Bonus Warrant is exercisable, up to the Maturity Date, to purchase one common share of the Company at an exercise price of C$0.37 per share. Based on the Company's current capital structure, such number of shares would represent 14.0% of the Company's issued and outstanding shares and, taken together with Sprott's existing direct and indirect holdings on a partially-diluted basis, would represent 20.76% of the voting shares of the Company. Sprott has agreed not to exercise Bonus Warrants if such exercise would result in Sprott's direct and indirect holdings of the Company's outstanding voting shares being in excess of 19.9% based on the then-current outstanding shares of the Company.

  In connection with the Financing, the Company issued 300,000 non-transferrable common share purchase warrants to Medalist Capital Ltd., an arm's length registered dealer. Each Finder's Warrant will be exercisable to purchase one common share of the Company at an exercise price of C$0.37 per Finder's Warrant Share for a term of three years.

  On December 27, 2019, the Company drew down $1,000,000 of the line of credit and on March 11, 2020 the Company drew down the remaining $5,000,000.

- On December 18, 2019 the Company entered into a consulting agreement with Investor Relations Services Inc. for investor relation services to establish and maintain a corporate profile with brokers and investors for a monthly fee of $7,000 per month.

- Subsequent to year ended December 31, 2019, the Company entered into a consulting agreement with Sully Entertainment Group LLC (“Sully”) for productions services with a fee of US$100,000 upon execution of the agreement and US$8,000 monthly for six months. The Company also entered into a consulting agreement with Robert Sullivan (“Mr. Sullivan”) to provide corporate development services with a fee of US$5,000 monthly for twelve months.

ROYALTY ASSETS

Ely Gold owns deeded royalties and royalty rights to the following properties:

Project Name	Current Optionor/Operator	Current Status	Royalty	Royalty Type
Isabella Pearl	Gold Resource	Production	0.75%	NSR
Jerritt Canyon	Jerritt Canyon Gold LLC	Production	PTR	PTR

Jerritt Canyon	Jerritt Canyon Gold LLC	Production	0.50%	NSR
Rawhide	Rawhide Mining LLC	Production	15.00%	NPI
Fenelon	Wallbridge Mining	Development	1.00%	NSR
Lincoln Hill	Coeur Mining	Development	1.00%	NSR
Marrigold NSR	SSR Mining	Development	0.75%	NSR
REN	Nevada Gold Mines	Development	3.00%	NSR
REN NPI	Nevada Gold Mines	Development	3.50%	NPI
Hog Ranch	REX Minerals Ltd	Development	3.00%	NSR
Gold Rock	Fiore Exploration	Development	0.75%	NSR
Isabella	Gold Resource	Development	2.50%	NSR
County Line	Gold Resource	Development	2.50%	NSR
Mina Gold	Gold Resource	Development	3.00%	NSR
Mt Hamilton	Waterton Global	Development	1.00%	NSR
Pilot Mountain	Thor Mining	Development	2.00%	NSR
Quartz Mountain	Alamos Gold	Development	0.25%	NSR
Lone Tree	Nevada Gold Mines	Exploration	3.00%	NSR
Pinson	Nevada Gold Mines	Exploration	3.00%	NSR
Carlin	Nevada Gold Mines	Exploration	3.00%	NSR
Castle/Black Rock	Allegiant Gold	Exploration	2.00%	NSR
Turquoise	Nevada Gold Mines	Exploration	2.00%	NSR
Antelope Springs	Americas Gold & Silver	Exploration	1.00%	NSR
Bald Peak	Radius Gold	Exploration	3.00%	NSR
Big 10	VR Resources	Exploration	3.00%	NSR
Danbo	VR Resources	Exploration	3.00%	NSR
Gold Rock Extention	Fiore Gold	Exploration	2.00%	NSR
Gold Bar	McEwen Mining	Exploration	2.00%	NSR
Green Springs	John Cox	Exploration	0.50%	NSR
Gutsy	EMX Royalty	Exploration	0.50%	NSR
Hackberry	Bitterroot Resources	Exploration	2.00%	NSR
Kismet	EMX Royalty	Exploration	2.00%	NSR
Maggie Creek	Renaissance	Exploration	1.00%	NSR
Mt Wilson	National Treasure	Exploration	2.00%	NSR
New Boston	VR Resources	Exploration	2.00%	NSR
North Carlin	Fremont Gold	Exploration	2.00%	NSR
Olinghouse NE	Lake Mountain Mining	Exploration	1.00%	NSR
Rosial	Coeur Mining	Exploration	1.50%	NSR
Scossa	Romios Gold	Exploration	2.00%	NSR
Silver Dyke	Gold Resource	Exploration	2.00%	NSR
Troy	Brocade Metals	Exploration	1.00%	NSR
Tuscarora	American Pacific	Exploration	2.00%	NSR
Atlanta	Meadow Bay Gold	Exploration	3.00%	NSR

* A PTR is explained in highlights on Jerritt Canyon Agreement.

Optioned Properties

The following properties have been optioned out to other mining companies, who have taken over the management of the property, but have not yet earned all rights to the property:

Project Name	Interest	County	Metals	2020 Payment	Owner/Operator	Reserved Royalty
Butte Valley	100%	WhitePine	Au, Ag	$35,000	Quaterra Resources	2.00%
Cimarron	100%	Nye	Au, Ag	$25,000	Ridgestone Mining	2.50%
Gilbert South	100%	Esmeralda	Au, Ag	$5,000	Renaissance Exploration	2.00%
Gold Canyon	100%	Eureka	Au, Ag	$112,500	McEwen Mining	2.00%
Green Springs	100%	WhitePine	Au, Ag	$50,000	Contact Gold	1.00%
Hurricane	100%	Lander	Au, Ag	$20,000	Fremont Gold	3.00%
Morgan Pass	100%	Elko	Au, Ag	$40,000	Wright Parks	3.00%
Monitor	100%	Nye	Au, Ag	$10,000	Orla Mining	2.50%
Moho	100%	Mineral	Au, Ag	$25,000	Pyramid Gold	2.50%
Nevada Rand	100%	Mineral	Au, Ag	$15,000	Goldcliff Resources	2.50%
Redlich Gold	100%	Esmeralda	Au, Ag	$25,000	Pyramid Gold	2.50%
Rodeo Creek	100%	Elko	Au, Ag	$50,000	Premier Gold	2.00%
Tonopah	100%	Esmeralda	Ag, Au	$325,000	Blackrock Gold	3.00%
Weepah	100%	Esmeralda	Au, Ag	$300,000	Valterra Resources	1.00%
Stateline	100%	Utah	Au, Ag	$25,000	Pyramid Gold	2.00%
Musgrove Creek	100%	Idaho	Au, Ag	$50,000	Eagle Mines Management	2.00%
War Eagle	100%	Idaho	Au, Ag	$20,000	Integra Resources	1.00%
Frost	100%	Oregon	Au, Ag	None	Paramount Gold	2.00%
Racey	100%	Oregon	Au, Ag	None	Aurion Resources	2.00%

Properties Available for Sale

Please refer to the Company's website for a current listing of the properties available for sale.

PROJECT UPDATES AND SELECT ACQUISITION INFORMATION

Green Springs, Nevada

On January 16, 2013, the Company acquired a mining lease and a 100% purchase option on two mining claims contiguous to the Green Springs property, known as the Cox Claims. The lease on the Cox Claims has a term of 10 years with escalating advance royalty payments and a 100% purchase option. The minimum advance royalty payments total US$222,500. The purchase option for the Cox Claims is 100% owned by DHI US.

On February 4, 2013, DHI US acquired the Green Springs property in White Pine County, Nevada, for US$300,000 (paid) and $50,000 (paid) cash. The Green Springs property is subject to a 2% NSR royalty. Green Springs is 100% owned by DHI US. At the Green Springs property, the Company owns 76 unpatented lode mining claims.

On July 7, 2014, the Company entered into an exploration and option agreement (the "EMX Agreement") with EMX Royalty Corp., formerly Eurasian Minerals Inc., ("EMX") for the Cathedral Well gold project consisting of 79 unpatented mining claims (the "Cathedral Well Claims"), which surround the Company's Green Springs claims. The Company completed the acquisition in November 2016 by paying EMX a total of US$100,000 over a three-year period. The property is subject to a 2.5% NSR royalty, inclusive of an underlying 0.5% NSR royalty.

In addition, after earning the 100% interest in the Cathedral Well Project, the Company will pay EMX annual advance royalties equal to 20 ounces of gold each year beginning in year four of the EMX Agreement. After completion of a feasibility study of the Cathedral Well Project and/or the adjacent Company properties, the annual payment will increase to 35 ounces of gold each year thereafter until commencement of commercial production from either, or both, of the Cathedral Well Project and the adjacent Company properties. The Company may purchase 0.5% of the EMX NSR royalty by paying EMX 500 ounces of gold within 60 days after commencement of commercial production from either, or both, of the Cathedral Well Project and the adjacent Company properties. However, EMX will not retain any royalty on the Company's existing Green Springs project.

On July 23, 2019, the Company signed a purchase option agreement with Contact Gold to acquire an undivided 100% interest in the Cox and Green Springs gold projects.

As consideration for the properties, Contact Gold will make the following payments and share issuance:

- 2,000,000 common shares of Contact Gold, US$25,000 and the reimbursement of prepaid claims fees relating to Green Springs upon entry into the Purchase Option (received);
- US$50,000 on the first anniversary of the Purchase Option;
- US$50,000 on the second anniversary of the Purchase Option;
- US$50,000 on the third anniversary of the Purchase Option; and
- US$100,000 on the fourth and final anniversary of the Purchase Option.

Anniversary payment amounts may be made in cash or in Contact Gold's common shares at Contact Gold's election. Payment of all amounts can be accelerated and completed at any time. One million of the shares issued at closing will be restricted for 24 months. The issuance of all common shares is subject to statutory hold periods pursuant to US and Canadian securities regulations, and conditional upon the approval of any required governmental or regulatory authority, including the Exchange.

Ely Gold will retain a 1% NSR royalty on 76 core claims and a 0.75% royalty on the two leased claims. There is no buy-down provision to the royalties. Contact Gold will also make all third party payments due on the Cox and Cathedral properties.

Nevada Select Properties

Nevada Select is the Company's 100% owned US subsidiary that owns interest in over 76 mineral properties with 35 deeded royalties and 20 properties under option agreements with third parties and 24 properties available for sale.

War Eagle Property

On January 21, 2019, the Company entered into a definitive option agreement with Delamar, a wholly owned subsidiary of Integra Resources Corp., whereby Delamar can acquire a 100% interest in the Idaho State Lease on the War Eagle property by making US$200,000 in option payments to the Company over the next four years.

If the War Eagle Final Option Payment is made, the Company will retain a 1% NSR royalty on the War Eagle property. Delamar has the right to accelerate the payments and exercise of the option at any time prior to the fourth anniversary. The War Eagle property is subject to an underlying 5.0% gross royalty payable to the State of Idaho.

Isabelle Pearl Royalty

On April 27, 2019, the Company acquired from a private estate a 0.75% gross receipts royalty on the Isabella Pearl Mine, operated by GORO, and located in Mineral County, Nevada. Under the terms of the agreement, the Company acquired the 0.75% gross receipts royalty for cash consideration of US$300,000 (paid).

Gold Bar Royalty

On September 6, 2019, the Company acquired a 1% NSR royalty covering two separate properties (the "Scoonover Royalty"), located in Eureka County, Nevada. Ely Gold paid US$25,000 for the assignment of 100% of the Scoonover Royalty from an arm's length third party.

Castle West Property

On June 17, 2019, the Company entered into an option agreement with Bitterroot Resources Ltd. ("Bitterroot") whereby Bitterroot will have an option to purchase a 100% interest in the Castle West property located in Esmerelda County, Nevada, for a purchase price of US$250,000, payable over five years.

Bitterroot will make minimum advance royalty payments of US$5,000 on the first and second anniversaries of exercising of the option and US$10,000 on subsequent anniversaries.

The Company will retain a 3% NSR royalty on any precious metals production. Bitterroot has the right to buy-down 1% of the NSR for a payment of US$1,000,000.

Frost Property

On November 13, 2018, the Company, through its wholly owned subsidiary Nevada Select, entered into a definitive option agreement with Calico Resources USA Corp, a wholly owned subsidiary of Paramount Gold Nevada Corp. (collectively, "Paramount"), whereby Paramount has the option to acquire a 100% interest in the Frost Property by making cash payments totaling US$250,000 over a four-year period after the closing date.

Upon completion of the cash payments and the transfer of the Frost claims, Paramount will grant the Company a 2% NSR royalty on the Frost Property. Paramount has the right to reduce the NSR royalty to 1%, at any time, by paying the Company US$1,000,000.

Rodeo Creek Claims

On November 12, 2018, the Company, through its wholly owned subsidiary Nevada Select, entered into a definitive option agreement with Au-Reka Gold Corporation, a wholly owned subsidiary of Premier Gold Mines Ltd. (collectively, "Premier"), whereby Premier has the option to acquire a 100% interest in the Rodeo Creek Claims by making US$506,572 in option payments to the Company over a five-year period after the closing date.

Upon completion of the cash payments and the transfer of the Rodeo Creek Claims, Premier will grant the Company a 2% NSR royalty on the Rodeo Creek Claims.

Stateline Property

On August 8, 2018, the Company entered into a definitive option agreement with Pyramid Gold whereby Pyramid Gold can acquire a 100% interest in the Stateline project by making US$100,000 in combined option payments to the Company over a four-year period after the effective closing date. On exercise of the option, the Company will retain a 2% NSR royalty on the Stateline claims.

Pyramid is also required to pay the Company advanced mining royalty (“AMR”) payments of US$15,000 on the first through third anniversary dates of the Stateline Final Option Payment and US$25,000 on the fourth anniversary date of the Stateline Final Option Payment and on each anniversary thereafter.

Amsel Claims (formerly Kraut Claims)

On April 27, 2018, the Company closed the sale of the Kraut claims with VR Resources whereby VR Resources acquired 100% of the Kraut claims. VR Resources paid US$10,000 and issued 50,000 shares and the deed of royalty in Nye County, Nevada, for the Danbo Royalty, consisting of 30 unpatented mining claims. To complete the acquisition, VR Resources is required to pay an additional US$50,000 and issue 50,000 shares once an initial drill program commences on the Kraut claims.

The Company will retain a 2% NSR royalty on the Kraut claims. VR Resources will have the right to buy-down 1% of the royalty for US$500,000 per 0.5% for a maximum of US$1,000,000. VR Resources subsequently change the name of the project to Amsel.

Monitor Claims

On March 22, 2018, the Company entered into a definitive option agreement with Monitor Gold Corporation (“Monitor”), a wholly owned subsidiary of Orla Mining Ltd., whereby Monitor has the option to acquire a 100% interest in four unpatented mining claims (the “Monitor Claims”) by making US$527,000 in combined option payments to the Company over a nine-year period after the closing date.

On exercise of the option, the Company will retain a 2.5% NSR royalty on the Monitor Claims. There is no area of interest associated with the Monitor Claims and Monitor will have the right to buy-down 1% of the NSR royalty for an aggregate purchase price of US$1,000,000.

County Line Project

On March 9, 2018, the Company entered into a definitive purchase agreement with GORO whereby GORO has acquired a 100% interest in the County Line project for total consideration to the Company of US$300,000 (received $379,410). The Company will retain a 3% NSR royalty on the County line claims. GORO has the right to buy-down 1% of the NSR royalty for an aggregate purchase price of US$1,000,000.

North Carlin Project

On February 21, 2018, the Company entered into a definitive option agreement with Intermont Exploration, LLC (“Intermont’), a wholly owned subsidiary of Fremont Gold Ltd. (“Fremont”), whereby Fremont can acquire a 100% interest in the North Carlin project by making US$267,500 in combined option payments to the Company over a five-year period after the closing date.

On February 17, 2019, Intermont terminated the option agreement. Upon termination, the Company granted Intermont a mineral deed for 12 unpatented mining claims and Intermont granted the Company a 2% NSR royalty on the deeded claims.

Gold Canyon Project

On January 16, 2018, the Company entered into a definitive option agreement with Intermont, a wholly owned subsidiary of Fremont, whereby Fremont can acquire a 100% interest in the Gold Canyon project by making US$802,500 in combined option payments to the Company over a five-year period from the closing date.

On exercise of the option, Company will retain a 2% NSR royalty on the Gold Canyon claims and a 1% NSR royalty on any acquired or staked additional claims located within a one-mile area of interest. Fremont will have the right to buy-down 1% of the underlying royalties on all the claims for US$3,000,000. Fremont is also required to pay the Company AMR payments of US$25,000 on the first through third anniversary dates of the Gold Canyon Final Option Payment and US$35,000 on the fourth anniversary date of the Gold Canyon Final Option Payment and on each anniversary thereafter.

On May 23, 2019, Fermont sold its option to acquire 100% interest in the Gold Canyon Claims to McEwen Mining Inc. All terms and obligations of the option agreement are now between the Company and McEwen Mining Inc.

Gold Bar Property

On September 13, 2017, the Company closed the option of the Gold Bar project with Fremont whereby Fremont can acquire 100% of the Gold Bar project by making US$1,000,000 in option payments to the Company. To date the Company has received a total of US$150,000.

On July 9, 2019, Freemont terminated the Gold Bar option.

Weepah Project

On July 10, 2017, the Company closed the option of the Weepah project with Valterra whereby Valterra can acquire 100% of the Weepah project by making the following option payments to the Company:

- At closing – US$100,000 cash or through the issuance of Valterra common shares (received 2,598,680 Valterra common shares valued at $128,880);
- Year 1 – US$100,000 cash or through the issuance of Valterra common shares (received 2,655,740 Valterra common shares valued at $92,951);
- Year 2 – US$200,000 cash;
- Year 3 – US$200,000 cash; and
- Year 4 – US$400,000 cash (the “Final Option Payment”).

If the Final Option Payment is made, the Company will retain a 3% NSR on ten unpatented claims and one patented claim. Valterra will have the right to buy-down 1% of the underlying royalty on these claims for US$1,000,000. Sixty-six unpatented claims are subject to a 2% NSR to a third party and Ely Gold will retain a 1% NSR on those claims.

On May 7, 2019 and November 7, 2019 Ely Gold and Valterra amended the option agreement as follows:

- US$11,250.00 cash paid to Nevada Select on the second anniversary of the Effective Date (paid);
- US $98,250.00 cash paid to Nevada Select on December 23, 2019, such payment to be a contractual obligation and not optional (unpaid);
- US$300,000.00 cash paid to Nevada Select on the third anniversary of the Effective Date;
- US$400,000 cash on the fourth yearly anniversary of the Effective Date (the Final Option Payment).

RESULTS OF OPERATIONS AND SELECTED FINANCIAL DATA

Selected Annual Information

The following table sets forth selected financial information for the fiscal year ended December 31, 2019, comparable fiscal year ended December 31, 2018, and fiscal year ended December 31, 2017. The selected financial information set out below has been derived from the audited annual financial statements and accompanying notes, in each case prepared in accordance with IFRS. The selected financial information set out below may not be indicative of the Company's future performance. The following discussion should be read in conjunction with the audited financial statements.

	2019	2018	2017
Total revenue	$ 2,082,830	$ 1,194,618	$ 969,527
Net loss for the fiscal year	(1,547,809)	(1,050,822)	(1,645,704)
Loss per share, basic and fully diluted [1]	(0.02)	(0.01)	(0.02)
Total assets	11,502,429	5,268,615	5,625,733
Total non-current financial liabilities	2,778,872	—	160,944

(1) Diluted loss per common share is equivalent to the basic loss per common share as the effects of outstanding warrants and options disclosed are anti-dilutive for all periods presented.

RESULTS OF OPERATIONS

Three Months Ended December 31, 2019, Compared to the Three Months Ended December 31, 2018

The Company recorded net loss of $330,698 ($0.01 profit per common share) for the three months ended December 31, 2019 (the "current quarter") compared to a net loss of $555,422 ($0.01 profit per common share) during the three months ended December 31, 2018 (the "prior quarter"), a decrease of $224,724, as explained in the following paragraphs.

- Option and royalty revenues were $154,254, higher in the current quarter ($479,515) when compared to the prior year ($325,261). During the current quarter, the Company received additional cash and shares payments relating to its mineral properties that have been optioned to third parties.

- Management fees were $29,339 lower in the current quarter ($105,202) when compared to the prior quarter ($134,541). There were no significant changes in management fees.

- Professional fees were $93,358 higher in the current quarter ($129,304) when compared to the prior quarter ($35,946). During the current quarter, the Company incurred additional legal fees relating several property acquisitions as well as the line of credit.

- Share-based payments, a non-cash expense, was $10,601 higher in the current quarter ($11,249) when compared to the prior quarter ($648). In both periods share-based payments relate to amortization of prior quarter unamortized balances.

- Travel and promotion was $273,695 higher in the current quarter ($436,385) when compared to the prior quarter ($162,690). During the current quarter, additional promotional activities were under taken to promote the Company's mineral properties available for sale/option to increase awareness and attract potential buyers and to promote the company to potential investors

- Amortization for the current quarter was $103,665. This amount represents amortization of the royalty properties acquired which are amortized over their expected live as well as amortization of the right of use asset. No such expenditures were present in the comparative quarter.

- Interest expense was $174,786 higher in the current quarter ($177,057) when compared to the prior quarter ($2,271) this amount represents amortization of the deferred charges which arise from the calculation of the fair value of warrants issued in conjunction with the line of credit as well as interest on the line of credit and the obligation of capital lease. No such expenditures were present in the comparative quarter.

- The change in fair value of marketable securities was $564,196 lower in the current quarter (gain - $355,205) when compared to the prior quarter (loss - $209,991), which is related to market fluctuations of the marketable securities held by the Company at each quarter end date.

- The change in the loss arising from foreign exchange was $150,126 lower in the current quarter (loss - $35,888) when compared to the prior quarter (gain - $186,014). The reason for the significant fluctuation in loss attributable to foreign exchange is that the Company holds a large balance of US dollars and a significant portion of its marketable securities are US listed securities.

Year Ended December 31, 2019 compared to the Year Ended December 31, 2018

The Company recorded a net loss of $1,547,809 ($0.02 loss per common share) for the twelve months ended December 31, 2019 (the “current year”) compared to a net loss of $1,050,822 ($0.01 loss per common share) during the twelve months ended December 31, 2018 (the “prior year”), an increase of $496,987, as explained in the following paragraphs.

- Option and royalty revenues were $354,344 higher in the current year ($1,164,414) when compared to the prior year ($810,070). The increase was in part due to the option agreement entered with Contact Gold whereby they would acquire a 100% interest in the Cox and Green Springs properties and the Company 2,000,000 shares of Contact Gold on signing. Other option proceeds remain consistent as some agreements were terminated while new option agreements were entered into during the year. In addition, the Company has entered into new royalty revenue stream agreements which will generate higher revenues in future years.

- Gain on the disposal of mineral interests was $533,868 higher in the current year ($918,416) when compared to the prior year ($384,548). During the current year, the Company completed the sale of its Balmoral Royalty while in the prior year the Company sold its County Line project and Kraut claims.

- Management fees were $353,084 higher in the current year ($880,220) when compared to the prior year ($527,136). The increase is due to bonuses paid in the current year along with a compensation settlement paid to the prior CFO.

- Share-based payments, a non-cash expense, was $535,051 higher in the current year ($559,207) when compared to the prior year ($24,156). In the current year, 2,375,000 options were granted and vested compared to 450,000 options that were granted and vested in the prior year.

- Travel and promotion was $360,491 higher in the current year ($929,851) when compared to the prior year ($569,360). During the current year, additional promotional activities were under taken to promote the Company’s mineral properties available for sale/option to increase awareness and attract potential buyers and to promote the company to investors.

- Amortization for the current year was $135,170. This amount represents amortization of the royalty properties acquired which are amortized over their expected live as well as amortization of the right of use asset. No such expenditures were present in the comparative year.

- Interest expense was $167,963 higher in the current year ($185,372) when compared to the prior year ($17,409) this amount represents amortization of the deferred charges which arise from the calculation of the fair value of warrants issued in conjunction with the line of credit as well as interest on the line of credit as well as the obligation of capital lease. No such expenditures were present in the comparative year.

- The change in fair value of marketable securities was $445,419 changing to (gain - $81,941) when compared to the prior year (loss - $363,478), which is related to market fluctuations of the marketable securities held by the Company at each year end date.

- Gain arising from foreign exchange was $61,557 lower in the current year (loss - $30,704) when compared to the prior year (gain - $30,853). The reason for the significant fluctuation in loss attributable to foreign exchange is that the Company holds a large balance of US dollars and a significant portion of its marketable securities are US listed securities.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The material components of exploration and evaluation expenses are:

For the period ended	December 31, 2019	December 31, 2018
Exploration and evaluation costs		
Geological consulting	$ 133,334	$ 109,174
Claim maintenance	178,791	202,988
	$ 331,998	$ 312,162

SUMMARY OF QUARTERLY RESULTS

The following table summarizes selected information from the Company's audited consolidated financial statements, prepared in accordance with IFRS, for the last eight quarters.

	Quarter ended	Revenue $	Gain (loss) before other income and expenses $	Total comprehensive gain (loss) $	Basic and diluted loss per common share $
Q4/19	December 31, 2019	479,515	(481,534)	(330,698)	(0.00)
Q3/19	September 30, 2019	377,137	(1,216,755)	(1,383,596)	(0.01)
Q2/19	June 30, 2019	560,734	5,566	506,266	(0.01)
Q1/19	March 31, 2019	105,440	(300,246)	(336,759)	(0.00)
Q4/18	December 31, 2018	358,224	(158,084)	(555,422)	(0.00)
Q3/18	September 30, 2018	130,158	(416,635)	(622,897)	(0.01)
Q2/18	June 30, 2018	242,200	(219,974)	63,790	(0.00)
Q1/18	March 31, 2018	463,324	33,555	63,707	(0.00)

Variations in the Company's net income and loss for the periods above resulted primarily from the following factors:

- The Company continues to increase its revenues pursuant to various optioned properties, as well as the sale of certain of its properties. Revenues of the Company in the last eight quarters consisted of revenues from option payments received, royalties from producing properties and gain on sale of properties. During the three months ended September 30, 2019, June 30, 2019 and March 31, 2019, revenues included gain on sale of property of $367,697, $918,415 and $351,324, respectively, resulting in higher total revenues in those quarters.

- Net loss from operations for Q3/19 was significantly higher than in previous periods, as a result of the Company issuing options to its management and consultants, which resulted in an expense of $544,406. In addition, it also paid management bonuses, which in prior years were paid at an earlier quarter. The Company's professional fees and travel expenses have increased significantly, as the Company continues its efforts to acquire new properties with the potential to generate revenues and option out its own properties while retaining an NSR royalty. The Company's exploration costs are normally high in Q3 each year, as it is required to make its BLM payments in July, which combined with the above expenditures resulted in significantly higher expenditures in Q3/19 than in previous quarters.

- Exploration and evaluation expenses vary from year to year, as the work required in its acquired properties will require different levels of investigation and exploration for the Company to option out or sell. BLM payments to keep the properties in good standing are normally required in Q3 each year, which results in higher expenditures incurred each Q3.

- Overall, travel and promotion expenses have increased over the last few quarters, as the Company continues its efforts to promote the Company and its properties.

- Professional fees have also increased in the last few quarters, as the Company has become more active in entering into transactions to acquire new properties as well as option out its existing properties and retaining NSR royalties.

- The Company holds marketable securities, which it acquired as option payments or the sale of certain of its mineral properties. The market value of these shares will fluctuate and, as a result, unrealized gains and losses will be reflected in the Company's consolidated financial statements. The markets have been fairly volatile in the last couple of years, which has resulted in significant changes in market value of the Company's marketable securities.

- Exchange gains and losses vary from period to period as a result of fluctuation of the exchange rates in the US dollar, as the Company holds funds in US dollars. During 2018 the US dollar increased, which resulted in significantly higher exchange gains in 2018 while during 2019 fluctuations have not been as significant. This has resulted in the Company not having as significant exchange gains during 2019.

- The Company's Q4/19 was also higher than the comparative Q4/19 due to two new expenses, amortization of its royalty assets and amortization of right of use asset related to its leased premises and interest expense related to the amortization of deferred charges resulting from the valuation of the warrants issued in conjunction of the line of credit, interest expense incurred on the line of credit and interest on obligation of capital lease.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2019, the Company had cash and cash equivalents of $2,973,520 and a consolidated working capital of $2,948,823. The Company has sufficient cash and cash equivalents to fund its operations for the next twelve months.

The Company's cash and cash equivalents are highly liquid and held at a major Canadian financial institution.

	Increase (decrease) in cash and cash equivalents for the year ended December 31,	
	2019	2018
Operating activities	$ (1,998,572)	$ (1,428,005)
Investing activities	337,824	1,955,257
Financing activities	2,208,137	517,162
Effect on cash of foreign exchange	(51,605)	-
Total change in cash	(535,784)	(44,414)
Cash and cash equivalents, beginning of period	2,437,736	2,393,322
Cash and cash equivalents, end of period	$ 2,973,520	$ 2,437,736

Operating Activities

During the year ended December 31, 2019, the Company received total gross proceeds from option and royalty payments and disposition of mineral and royalty interests of $3,079,016 (2018 - $1,222,764) from these proceeds $186,761 (2018 - $257,140) represent recovery of acquisition costs and are included as a reduction of mineral and royalty interests $1,275,004 (2018 - $810,070) represent option and royalty payments included as income in and the consolidated financial statements and $1,635,251 were proceeds on the sale of mineral properties of which $918,416 (2018 - $384,548) are recorded as income in the consolidated financial statements.

Investing Activities

The Company incurred a total of $1,541,901 in acquisition of mineral property interest and royalty assets of which $600,000 relates to the acquisition of a 2% Fenelon Royalty, $464,282 (US$300,000) relates to the acquisition of the 0.75% Isabella Royalty, $398,343 (US$300,000) relates to the acquisition of the Jerritt Canyon – per ton royalty and $32,837 relates to the acquisition of the Gold Bar Royalty, as well as $46,439 related to option payments.

The Company also received total proceeds of $1,676,474 on the sale of 1% Fenelon royalty and Green Spring property, as explained above.

Financing Activities

During the year ended December 31, 2019, the Company completed a private placement and received cash proceeds, net of issuance costs, of $1,440,029. received $1,000,000 from a line of credit entered into during the year, received $209,350 on exercise of options and warrants repaid $183,934 in loans payable and repaid $48,781 in lease obligation related to the adoption of IFRS 16.

TRANSACTIONS WITH RELATED PARTIES

Key management comprises directors and executive officers. The Company did not pay post-employment benefits and long-term benefits to key management. The following compensation was paid to key management:

		December 31
	2019	2018
Management fees	$ 922,306	$ 528,404
Share based compensation	397,442	-
Total	$ 1,319,748	$ 528,404

During the year ended December 31, 2019, the Company incurred $312,278 (2018 - $194,011) consulting expense from Pilot Point Partners LLP, a company owned by the CEO of the Company.

During the year ended December 31, 2019, the Company incurred $131,200 (2018 - $80,000) consulting expense from Tuareg Consulting Inc., a company owned by the former CFO of the Company.

During the year ended December 31, 2019, the Company incurred $32,048 (2018 - $nil) consulting expense from a director of the Company.

During the year ended December 31, 2019, the Company incurred $72,982 (2018 - $60,000) consulting expense from 0713708 B.C. Ltd., a company owned by a director of the Company.

All other amounts due to related parties are payable on demand. Interest is not charged on outstanding balances.

The Company has in place termination clause agreements with three of the Company's officers and directors, whereby the officers and directors are entitled to a cumulative amount of $922,333 in the event they are terminated without cause, or $1,576,683 in the event there is a change of control.

SHARE CAPITAL AND OUTSTANDING SHARE DATA

As of April 9, 2019, there were 113,052,856 common shares issued and outstanding, in addition to other securities convertible into common shares, as summarized in the following table:

	Number Outstanding as of April 9, 2020	Number Outstanding as of December 31, 2019
Common shares issued and outstanding	113,052,856	100,280,929
Options (1)	8,000,000	8,050,000
Warrants (2)	22,688,942	35,410,869
Fully diluted common shares	143,688,942	143,741,798

Notes:

(1) Subsequent to December 31, 2019 a total of 50,000 stock options have been exercised for total proceeds of $13,500.

(2) Subsequent to December 31, 2019 a total of 18,194,654 share purchase warrants have been exercised for total proceeds of $4,083,397.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

PROPOSED TRANSACTIONS

Other than previously disclosed, the Company has no proposed transactions.

CONTRACTUAL OBLIGATIONS

The Company has no commitments, material capital lease agreements and no material long-term obligations other than what has been previously stated in this MD&A.

RISKS AND UNCERTAINTIES

The Company is in the mineral exploration and development business and has not commenced commercial operations and has no assets other than cash and cash equivalents and mineral property agreements under option. It has no history of earnings, and it is not expected to generate earnings or pay dividends in the foreseeable future.

Precious and Base Metal Price Fluctuations

The profitability of the precious and base metal operations in which the Company has an interest will be significantly affected by changes in the market prices of precious and base metals. Prices for precious and base metals fluctuate on a daily basis, have historically been subject to wide fluctuations and are affected by numerous factors beyond the control of the Company, such as the level of interest rates, the rate of inflation, central bank transactions, world supply of the precious and base metals, foreign currency exchange rates, international investments, monetary systems, speculative activities, international economic conditions and political developments. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving adequate returns on invested capital or the investments retaining their respective values. Declining market prices for these metals could materially adversely affect the Company's operations and profitability.

Fluctuations in the Price of Consumed Commodities

Prices and availability of commodities consumed or used in connection with exploration, development and mining, such as natural gas, diesel, oil, electricity, cyanide and other reagents, fluctuate affecting the costs of exploration in our operational areas. These fluctuations can be unpredictable, can occur over short periods of time and may have a materially adverse impact on our operating costs or the timing and costs of various projects.

Foreign Exchange Rate Fluctuations

Operations may be subject to foreign currency exchange fluctuations. The Company to date has raised its funds through equity issuances, which are priced in Canadian dollars. DHI US operates in the United States and incurs exploration and administration expenditures denominated in US dollars. As a result, the Company may suffer losses due to adverse foreign currency fluctuations.

Competitive Conditions

Significant competition exists for natural resource acquisition opportunities. As a result of this competition, some of which is with large, well-established mining companies with substantial capabilities and significant financial and technical resources, the Company may be unable to either compete for or acquire rights to exploit additional attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that the Company will be able to acquire any interest in additional projects that would yield reserves or results for commercial mining operations.

Operating Hazards and Risks

Exploration activities may generally involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. These risks include, but are not limited to, the following: environmental hazards, industrial accidents, third party accidents, unusual or unexpected geological structures or formations, fires, power outages, labor disruptions, floods, explosions, cave-ins, land-slides, acts of God, periodic interruptions due to inclement or hazardous weather conditions, earthquakes, war, rebellion, revolution, delays in transportation, inaccessibility to property, restrictions of courts and/or government authorities, other restrictive matters beyond the reasonable control of the Company, and the inability to obtain suitable or adequate machinery, equipment or labor and other risks involved in the normal course of exploration activities.

Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of precious and base metals, any of which could result in work stoppages, delayed production and resultant losses, increased production costs, asset write-downs, damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damages. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. Any compensation for such liabilities may have a material, adverse effect on the Company's financial position.

Infrastructure

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. The lack of availability of acceptable terms or the delay in the availability of any one or more of these items could prevent or delay exploitation or development of the Company's projects. If adequate infrastructure is not available in a timely manner, there can be no assurance that the exploitation or development of the Company's projects will be commenced or completed on a timely basis, if at all.

Exploration and Development

There is no assurance given by the Company that its exploration and development programs and properties will result in the discovery, development or production of a commercially viable ore body resulting in a royalty that provides future income.

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines.

The economics of developing silver, gold and other mineral properties are affected by many factors, including capital and operating costs, variations of the tonnage and grade of ore mined, fluctuating mineral markets, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. Depending on the prices of silver, gold or other minerals produced, the Company may determine that it is impractical to commence or continue commercial production. Substantial expenditures are required to discover an ore body, to establish reserves, to identify the appropriate metallurgical processes to extract metal from ore, and to develop the mining and processing facilities and infrastructure. The marketability of any minerals acquired or discovered may be affected by numerous factors that are beyond the Company's control and which cannot be accurately foreseen or predicted, such as market fluctuations, conditions for precious and base metals, the proximity and capacity of milling and smelting facilities, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals, and environmental protection. In order to commence exploitation of certain properties presently held under exploration concessions, it is necessary for the Company to apply for an exploitation concession. There can be no guarantee that such a concession will be granted. Unsuccessful exploration or development programs could have a material adverse impact on the Company's operations and profitability.

Business Strategy

As part of the Company's business strategy, it has sought and will continue to seek new royalty opportunities, as well as properties with exploration and development opportunities with the potential to generate royalties. In pursuit of such opportunities, it may fail to select appropriate acquisition candidates, negotiate appropriate acquisition terms, conduct sufficient due diligence to determine all related liabilities or to negotiate favorable financing terms. The Company may encounter difficulties in transitioning the business, including issues with the integration of the acquired businesses or its personnel into the Company. The Company cannot assure that it can complete any acquisition or business arrangement that it pursues, or is pursuing, on favorable terms, or that any acquisitions or business arrangements completed will ultimately benefit its business.

Environmental Factors

All phases of the Company's operations are subject to environmental regulations in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that any future changes in environmental regulation, will not adversely affect the Company's operations. The costs of compliance with changes in government regulations have the potential to reduce the profitability of future operations. Environmental hazards that may have been caused by previous or existing owners or operators may exist on the Company's mineral properties, but are unknown to the Company at the present.

Title to Mineral Property Assets

Although the Company has or will receive title opinions for any properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company has 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. The Company's claims may be subject to prior unregistered agreements or transfers, or native land claims, and title may be affected by unidentified or unknown defects. The Company has conducted as thorough an investigation as possible on the title of properties that it has acquired or will be acquiring to be certain that there are no other claims or agreements that could affect its title to the concessions or claims. If title to the Company's properties is disputed, it may result in the Company paying substantial costs to settle the dispute or clear title and could result in the loss of the property, which events may affect the economic viability of the Company.

Uncertainty of Funding

The Company has limited financial resources, and the mineral claims in which the Company has an interest or an option to acquire an interest require financial expenditures to be made by the Company. There can be no assurance that adequate funding will be available to the Company so as to exercise its option or to maintain its interests once those options have been exercised. Further exploration work and development of the properties in which the Company has an interest or option to acquire depend upon the Company's ability to obtain financing through joint venturing of projects, debt financing or equity financing or other means. Failure to obtain financing on a timely basis could cause the Company to forfeit all or parts of its interests in mineral properties or reduce or terminate its operations.

Agreements with Other Parties

The Company has entered into agreements with other parties relating to the exploration, development and production of its properties. The Company may in the future, be unable to meet its share of costs incurred under agreements to which it is a party, and the Company may have its interest in the properties subject to such agreements reduced as a result. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the costs required to complete recommended programs.

Potential Conflicts of Interest

The directors and officers of the Company may serve as directors and/or officers of other public and private companies, and may devote a portion of their time to manage other business interests. This may result in certain conflicts of interest. To the extent that such other companies may participate in ventures in which the Company is also participating, such directors and officers of the Company may have a conflict of interest in negotiating and reaching an agreement with respect to the extent of each company's participation. The laws of British Columbia, Canada, require the directors and officers to act honestly, in good faith, and in the best interests of the Company and its shareholders. However, in conflict of interest situations, directors and officers of the Company may owe the same duty to another company and will need to balance the competing obligations and liabilities of their actions.

There is no assurance that the needs of the Company will receive priority in all cases. From time to time, several companies may participate together in the acquisition, exploration and development of natural resource properties, thereby allowing these companies to: (i) participate in larger properties and programs; (ii) acquire an interest in a greater number of properties and programs; and (iii) reduce their financial exposure to any one property or program. A particular company may assign, at its cost, all or a portion of its interests in a particular program to another affiliated company due to the financial position of the company making the assignment. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, it is expected that the directors and officers of the Company will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Third Party Reliance

The Company's rights to acquire interests in certain mineral properties may have been granted by third parties who themselves may hold only an option to acquire such properties. As a result, the Company may have no direct contractual relationship with the underlying property holder.

Assurance on Financial Statements

We prepare our financial reports in accordance with accounting policies and methods prescribed by IFRS. In the preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting policies and practices are described in more detail in the notes to our consolidated financial statements for the years ended December 31, 2018 and 2017. 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 consolidated financial statements are prepared with reasonable safeguards to ensure reliability, we cannot provide absolute assurance in that regard.

General Economic Conditions

The unprecedented events in global financial markets during the last few years have had a profound effect on the global economy. Many industries, including the gold and silver mining industry, are affected by these market conditions. Some of the key effects of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, including, but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates and tax rates may adversely affect the Company's growth and profitability.

Substantial Volatility of Share Price

In recent years, the securities markets have experienced a high level of price and volume volatility, and the securities of many mineral exploration companies have experienced wide fluctuations in price, which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. The price of the Company's common shares is also likely to be significantly affected by short-term changes in mineral prices or in the Company's financial condition or results of operations as reflected in its quarterly financial reports.

Potential Dilution of Present and Prospective Shareholdings

In order to finance future operations and development efforts, the Company may raise funds through the issue of common shares or the issue of securities convertible into common shares. The Company cannot predict the size of future issues of common shares or the issue of securities convertible into common shares or the effect, if any, that future issues and sales of the Company's common shares will have on the market price of its common shares. Any transaction involving the issue of shares, or securities convertible into shares, could result in dilution, possibly substantial, to present and prospective holders of shares.

CHANGES IN ACCOUNTING POLICIES AND FUTURE ACCOUNTING STANDARDS

Adoption of New Accounting Policies

The following accounting standard has been adopted as at January 1, 2019 in accordance with the transitional provisions outlined in the respective standards.

IFRS 16 *Leases*

The Company adopted the requirements of IFRS 16 effective January 1, 2019. This new standard replaces International Accounting Standard 17 *Leases* and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to the current accounting for finance leases, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is substantially changed.

On adoption, the Company's lease consisted of two office leases. The Company transitioned to the new standard using the modified retrospective approach and:

- Measured the lease liability based on the present value of the remaining lease payments discounted using the Company's incremental borrowing rate at January 1, 2019;
- Measured the right-of-use asset as if IFRS 16 had been applied since the commencement date, but discounted using the Company's incremental borrowing rate at January 1, 2019; and
- Recorded the cumulative difference to deficit.

The net impact on retained earnings on January 1, 2019 was a decrease of $6,003.

The following is a reconciliation of total operating lease commitments at December 31, 2018 to the lease liabilities recognized at January 1, 2019:

	$
Lease liabilities before discounting	110,763
Discounted using incremental borrowing rate	(11,788)
Operating lease liability	98,975

The following is a reconciliation of lease liability to right-of-use lease asset at January 1, 2019:

	$
Operating lease liability at January 1, 2019	98,975
Prepaid lease payment	1,784
Lease payments prior to January 1, 2019	65,098
Depreciation prior to January 1, 2019	(72,855)
Right-of-use lease asset at January 1, 2019	92,972

For any new contracts entered into on or after January 1, 2019, the Company considers whether a contract is or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition, the Company assesses whether the contract meets three key evaluations, which are whether:

i. the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
ii. the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
iii. the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability on the statement of financial position.

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available. If the interest rate implicit in the lease is not readily available, the Company discounts using the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term. On the statement of financial position, right-of-use assets have been included under non-current assets and lease liabilities have been included under current and non-current liabilities.

New Accounting Standards Issued but not yet Effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early-adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

FINANCIAL INSTRUMENTS

The Company categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate fair values. The fair value of financial assets and financial liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Financial assets and liabilities in Level 2 are valued using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data.

The carrying values of cash and cash equivalents, and marketable securities have been based on quoted market prices, a Level 1 measurement according to the fair value hierarchy. The carrying value of accounts payable and accrued liabilities approximates fair value, due to the short term to maturity of these financial instruments. The carrying value of notes payable approximates fair value as the notes bear market interest rates.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

(a) Credit risk

Credit risk refers to the potential that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company manages credit risk, in respect of cash and cash equivalents, by placing its cash balances at major Canadian and American financial institutions.
Concentration of credit risk exists with respect to the Company's cash and cash equivalents, as all amounts are held at major Canadian and American financial institutions. The Company's concentration of credit risk and maximum exposure thereto is as follows:

	December 31, 2019	December 31, 2018
Cash and cash equivalents	$ 2,973,520	$ 2,437,736

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At December 31, 2019, the Company has cash and cash equivalents of $2,973,520 (2018 - $2,437,736), current liabilities of $1,483,373 (2018 - $411,416), and non-current liabilities of $1,295,499 (2018 - $nil).

The amounts listed below are the remaining contractual maturities for financial liabilities held by the Company:

Due Date	December 31, 2019	December 31, 2018
0 – 90 days	$ 898,913	$ 411,416
90 – 365 days	584,460	-
More than 1 year	1,295,499	-
	$ 2,778,872	$ 411,416

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and equity price risk.

(i) Interest rate risk

Interest rate risk consists of three components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

(c) Fluctuations in the interest rates impact the value of cash equivalents. As at December 31, 2019, the impact of interest rates on the Company is not deemed significant. The Company's other liabilities are not exposed to interest rate risk, as they are carried at amortized cost.

(ii) Foreign currency risk

The Company incurs expenditures in Canada and the US. Foreign currency risk arises as the amount of the US dollar cash, intercompany balances and payables will vary in Canadian dollar terms due to changes in exchange rates.

As at December 31, 2019 and December 31, 2018, the Company has not hedged its exposure to currency fluctuations.

At December 31, 2019 and December 31, 2018, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

		December 31, 2019		December 31, 2018
Cash and cash equivalents	US$	735,612	US$	872,445
Accounts payable and accrued liabilities		(83,641)		(51,583)
Note payable		-		(125,000)
Interest payable		(11,521)		(9,829)
Net	US$	640,450	US$	686,033
Canadian dollar equivalent		$ 831,818		$ 935,886

Based on the above net exposures as at December 31, 2019, a 5% change in the Canadian/US exchange rate would impact the Company's income (loss) and comprehensive income (loss) by approximately $42,000 (December 31, 2018 - $46,000).

(iii) Equity price risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's marketable securities consisting of common shares are exposed to significant equity price risk due to the potentially volatile and speculative nature of the businesses in which the investments are held.

Based on the marketable securities held as at December 31, 2019, a 10% (2018 – 10%) change in the market price of these securities would impact the Company's income (loss) and comprehensive income (loss) by approximately $125,000 (2018 - $83,000).

(iv) Fair value hierarchy

The following tables summarize the Company's financial instruments under the fair value hierarchy, as at December 31, 2019 and December 31, 2018:

December 31, 2019	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 2,973,520	$ -	$ -	$ 2,973,520
Marketable securities	$ 1,248,828	$ -	$ -	$ 1,248,828

December 31, 2018	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 2,437,736	$ -	$ -	$ 2,437,736
Marketable securities	$ 830,961	$ -	$ -	$ 830,961

Additional information related to the Company is found on SEDAR at www.sedar.com.