



GUYANA GOLDFIELDS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FOR THE YEAR ENDED
DECEMBER 31, 2016**



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GUYANA GOLDFIELDS INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS

The following management’s discussion and analysis (“MD&A”) of the financial condition and results of operations of Guyana Goldfields Inc. (“Guyana Goldfields” or the “Company”) constitutes management’s review of the factors that affected the Company’s financial and operating performance for the three and twelve months ended December 31, 2016. References to “Guyana Goldfields” in this MD&A refer to the Company and its subsidiaries taken as a whole.

This MD&A should be read in conjunction with the audited consolidated annual financial statements and the related notes for the year ended December 31, 2016, which have been prepared in condensed format in accordance with International Financial Reporting Standards (“IFRS”) as applicable to the preparation of annual financial statements, including International Accounting Standard IAS (“IAS”) 34 Interim Reporting. The condensed consolidated annual financial statements should also be read in conjunction with the audited consolidated financial statements and the related notes for the twelve months ended December 31, 2015, together with the notes thereto which have also been prepared in accordance with IFRS. Results are reported in United States dollars, unless otherwise noted. Due to rounding, the sum of all the quarters may not add to the annual total and per ounce figures may not calculate based on the amounts presented. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. Information contained herein is presented as at February 23, 2017 unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company’s common shares (“Common Shares”); or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors.

Additional information relating to the Company, including its Annual Information Form for the most recently completed fiscal year, is available on SEDAR at www.sedar.com. The Company is a reporting issuer under applicable securities legislation in each of the provinces of Canada and its outstanding Common Shares are listed on the Toronto Stock Exchange under the symbol “GUY”.

COMPANY BUSINESS

Guyana Goldfields is a Canadian-based company engaged in the investment, acquisition, exploration, development and operation of mineral property interests, principally gold resource properties in Guyana, South America. The Company’s primary focus is the production of gold from its 100% owned Aurora Gold Mine (or “Aurora”), which commenced commercial production on January 1, 2016.

The Company also holds a contiguous 216,995 acre land package located in the Aranka district of Guyana approximately thirty kilometres northeast of the Aurora Gold Mine, known as the “Aranka Properties” which consist of a number of separate properties including Sulphur Rose. The Company has a 100% interest in the Aranka Properties, subject to a net smelter royalty (“NSR”) that varies from 1.5% to 2% or fixed payments in lieu thereof at the option of the Company.

In addition, within an area located northeast from the Aurora Gold Mine, the Company also holds a 100% interest in certain additional properties known as the “Other Properties”, subject to a 1.5% NSR or a fixed payment in lieu thereof at the option of the Company.



2016 YEAR IN REVIEW

2016 was a transformational year for Guyana Goldfields with the Company making the significant leap from developer to producer. In an industry where many of our peers stumble during this transition, the Company negotiated this progression smoothly building the Aurora mine on time and on budget with commercial production being declared on January 1, 2016.

In its first year of operation, the mine performed strongly delivering total production of 151,600 ounces, meeting its upwardly revised guidance of 140,000 to 160,000 ounces. Operating cash costs (before royalties) of \$496 per ounce sold were also in-line with guidance and confirmed the Company's status as a lowest quartile cost producer. Behind the annual results though are more encouraging trends. An ongoing focus on and investment in operational improvements through the course of the year resulted in the fourth quarter for the Company being our best quarter in 2016 across all key operating and cost metrics. Mining throughput rates, mill throughput rates and operating costs on a per tonne and per ounce basis for the fourth quarter were all new records. Importantly, the solid results in 2016 were achieved without any lost time injuries. The Company has also demonstrated an excellent environmental track record to date and continues to benefit from strong relationships with the local government and communities.

Combined with an uptick in the gold price in 2016, the Company's strong operational results for the year delivered meaningful free cash flow to the balance sheet. This cash in conjunction with an equity raise in July of 2016 has not only significantly reduced the Company's liquidity risk but also afforded the Company a strong platform from which to grow. At the end of 2015, the Company had a working capital deficit of \$19.4 million and total debt outstanding of \$144.8 million. At the end of 2016 the Company had a positive working capital balance of \$111.4 million and a net debt balance of \$78.4 million following the successful debt restructuring in the fourth quarter (see "Financial Condition"). Importantly, this restructuring lowered the cost of our debt, freed up a significant amount of restricted cash and removed various covenants and restrictions.

Looking forward, and backed by strong operational momentum and a solid balance sheet, the Company will focus on three key areas:

(i) Operational efficiencies - looking to 2017, there are still obvious opportunities to drive further cost efficiencies. The transition from rental equipment to Company owned equipment and the move to bulk emulsion explosives, both of which should be completed in the second quarter of this year, should deliver significant savings on our mining costs. Additionally, there should also be meaningful cost savings from the shift from contractor to owner operator for our logistics fleet.

(ii) Production growth - on February 2, 2017, the Company released an updated feasibility study (the "2017 Feasibility Study" as defined below) that reflected an expansion of the mill from 5,600 tonnes per day to 8,000 tonnes per day. The proposed expansion of the mill is expected to be completed in two phases and increase annual production to above 200,000 ounces beginning in 2018 for the life of the mine with gold production expected to peak at 303,000 ounces in 2021. See "Technical Information".

(iii) Exploration - After a lengthy hiatus during the financing and development period of the Aurora Gold Mine, exploration activity is expected to ramp up significantly in 2017 with a focus on both brownfield and greenfield targets. Drilling is expected to begin on brownfield targets in the first quarter of the year and greenfield targets in the second half of the year. Exploration success in finding saprolitic ore on these targets has the potential to extend open pit production and defer the second phase of the mill expansion.

¹ This is a non-IFRS measure. Refer to "Non-IFRS Performance Measures" section in this MD&A



In its first year of operation, it is the Company's view that the Aurora mine has confirmed its status as a scarce, high quality asset. Current reserves at Aurora stand at 3.5Moz at an average grade of 3.0 g/t Au which equates, according to the 2017 Feasibility Study, to a 15-year mine life with average annual production of 220,000 ounces at an average operating cash cost of \$612 per ounce (including royalties). With a long mine life ahead, a growth plan in place and with exploration activities ramping up, the Company is excited about its future prospects.

2016 HIGHLIGHTS

- In its inaugural year of production, the Aurora Gold Mine performed solidly delivering 151,600 ounces of gold production, in-line with the Company's guidance.
- Revenues totaled \$194.2 million, earnings from mine operations came in at \$71.1 million and cash flow from operations totaled \$76.5 million or \$0.47 per diluted share.
- Cost of sales (including royalty and depreciation) for the year averaged \$789 per ounce of gold sold. Cash costs (before royalty)¹ trended down through 2016 and averaged \$496 per ounce for the year. All-in sustaining costs¹ for the year were \$738 per ounce, slightly below the Company's revised guidance range \$740 to \$760 per ounce.
- The Company completed an equity financing and debt restructuring during the year resulting in a much strengthened balance sheet with \$73.2 million of cash and a debt balance of \$78.4 million at year end.
- The Company reported an unrealized gain of \$20.7 million for the year on its 7.2% interest in SolGold Plc ("SolGold") which owns an 85% interest in the Cascabel Copper Gold Porphyry project located in Ecuador. The unrealized gain as at the date of this MD&A is \$48.5 million.

FOURTH QUARTER 2016 HIGHLIGHTS

- The Aurora Gold Mine had a particularly strong fourth quarter producing 43,800 ounces of gold, an increase of 27% from 34,400 ounces in the prior quarter driven by higher grades and mill throughput.
- The Company generated \$23.5 million of operating cash flow during the fourth quarter, making it the strongest quarter for cash flow generation to date and demonstrating a significant increase on the \$13.8 million of operating cash flow in the prior quarter.
- Cost of sales (including royalty and depreciation) improved for the fourth quarter to \$750 per ounce (compared to \$811 per ounce in the prior quarter). Cash costs (before royalty)¹ of \$446 per ounce and All-in sustaining costs¹ of \$678 per ounce in the fourth quarter were both new records for the Company.
- Net earnings of \$3.4 million (\$0.02 cents per diluted share). Fourth quarter earnings were negatively impacted by a non-recurring non-cash charge of \$7.3 million (\$0.04 cents per diluted share) that relates to the debt restructuring which was completed during the period.
- The Company successfully refinanced its \$160 million debt facility to a new \$80 million debt facility at a lower interest rate, no cash sweeps and the release of \$23 million of restricted cash.

¹ This is a non-IFRS measure. Refer to "Non-IFRS Performance Measures" section in this MD&A



2016 & FOURTH QUARTER 2016 HIGHLIGHTS

<i>(in thousands of dollars, except ounces, per ounce and per share figures)</i>	Year ended December 31			Three months ended December 31	
	2016	2015	2014	2016	2015
Ounces produced	151,600	-	-	43,800	-
Ounces sold	156,000	-	-	45,500	-
Revenues	\$ 194,153	\$ -	\$ -	\$ 54,809	\$ -
Earnings from mine operations	\$ 71,099	\$ -	\$ -	\$ 20,673	\$ -
Earnings (loss) before tax	\$ 44,462	\$ (8,873)	\$ (12,807)	\$ 9,379	\$ (3,663)
Net earnings	\$ 26,985	\$ 20,063	\$ (12,807)	\$ 3,405	\$ 25,273
Net earnings per diluted share	\$ 0.16	\$ 0.13	\$ (0.09)	\$ 0.02	\$ 0.16
Comprehensive income	\$ 47,683	\$ 20,063	\$ (12,807)	\$ 14,215	\$ 25,273
Cash flow from operating activities	\$ 76,534	\$ (4,927)	\$ (12,110)	\$ 23,267	\$ (4,785)
Cash and cash equivalents	\$ 73,151	\$ 12,899	\$ 17,211	\$ 73,151	\$ 12,899
Restricted cash	\$ 1,184	\$ 27,272	\$ 33,311	\$ 1,184	\$ 27,272
Debt	\$ 78,413	\$ 144,760	\$ 62,417	\$ 78,413	\$ 144,760
Total Assets	\$ 438,835	\$ 367,391	\$ 253,925	\$ 438,835	\$ 367,391
Realized gold price per ounce	\$ 1,245	\$ -	\$ -	\$ 1,204	\$ -
Cost of sales per ounce	\$ 789	\$ -	\$ -	\$ 750	\$ -
Cash costs per ounce before royalty¹	\$ 496	\$ -	\$ -	\$ 446	\$ -
All-in sustaining costs per ounce¹	\$ 738	\$ -	\$ -	\$ 678	\$ -

OUTLOOK

2017 Guidance

Gold production (000's ounces)	160-180
Cost of sales (production costs, royalty & depreciation) (\$ per ounce)	\$800-\$850
Cash cost ¹ , excluding royalty (\$ per ounce)	\$500-\$550
All-in sustaining ¹ ("AISC") (\$ per ounce)	\$775-\$825

The Company's production and cost guidance for 2017 is provided above. Due to mine sequencing gold production is expected to be slightly higher in the second half of the year relative to the first half. Similarly, due to the timing of sustaining capital expenditures, all-in sustaining costs are expected to be higher in the first half of the year relative to the second half. The royalty cost is based on an assumed gold price of \$1,200 per ounce.

¹ This is a non-IFRS measure. Refer to "Non-IFRS Performance Measures" section in this MD&A



The Company is well positioned financially to grow near-term production and ramp up exploration with a cash balance of \$73.2 million at year end versus a total debt balance of \$78.4 million. The Company issued the 2017 Feasibility Study (entitled “Independent Technical Report Updated Feasibility Study, Aurora Gold Mine Project” with an effective date of December 31, 2016) on February 2, 2017, that reflected an expansion of the current processing facility from 5,600 tonnes per day (“tpd”) to 8,000 tpd based on a two phased approach.

The first phase will increase the throughput rate from 5,600 tpd to 8,000 tpd incorporating a saprolite portion of the mill feed of between 25% and 50%. The first phase of the expansion is expected to commence later this quarter and be completed by the end of the first quarter of 2018 at a capital cost of approximately \$21.4 million. The second phase of the expansion will allow the processing of 8,000 tpd hard rock and is expected to commence in mid-2018 and be completed by mid-2019 when the majority of saprolitic ore has been exhausted. The expected capital cost of the second phase is approximately \$26.9 million. The key results of the 2017 Feasibility Study are summarized below.

Exploration efforts are expected to ramp up significantly in 2017 with drilling activity to commence at both near mine targets in the first quarter of the year and greenfield targets in the second half of the year.

2017 Feasibility Study

The 2017 Feasibility Study assumed a gold price of \$1,200 per ounce and reflected an expansion of the processing facility from 5,600 tpd to 8,000 tpd. Key highlights from the study include:

- Mineral Reserves increased to 3.5 Moz, up 15% from the previous reserve estimate with a higher assumed gold price more than offsetting depletion from 15 months of operations
- Average annual production of 220,000 ounces over a 15-year mine life at an average cash cost of \$612 per ounce (including royalties)
- Average head grade of 2.99 g/t Au over the life of the mine
- Net present value (“NPV”) of \$850 million at a discount rate of 5%
- Open pit mining ongoing through to 2024. Development of the underground operation is scheduled to commence in 2022 with first production expected in 2024.
- Mill Expansion Phase 1:
 - Debottlenecking of the back end of the circuit
 - Expected to increase throughput from 5,600 tpd to 8,000 tpd based on a saprolite/hard rock blend with a concurrent improvement in recoveries of ~1%
 - Expected completion by end of the first quarter of 2018 at a capital cost of \$21.4 million
- Mill Expansion Phase 2:
 - Addition of a ball mill resulting in increased recoveries of a further 1% to 2%
 - Expected to allow the processing of 8,000 tpd of hard rock
 - Expected completion by mid-2019 at a capital cost of \$26.9 million
- Both phases are fully permitted and are expected to be funded internally

Reserves & Resources

The Company has updated its Mineral Reserves for its Aurora Gold Mine utilizing a gold price of \$1,200 per ounce and an effective date of December 31, 2016. Overall reserves increased by 15% to 3.5 Moz



compared to the most recent reserve estimate which had an effective date of September 30, 2015 and utilized a gold price of \$1,000 per ounce.

Aurora Gold Mine Mineral Reserves
Effective December 31, 2016 (\$1,200/oz Au)

Category	Quantity (‘000 t)	Grade (g/t Au)	Contained Metal (‘000 oz)
Proven			
OP Saprolite	336	1.60	17
OP Rock	4,864	2.99	468
Total Proven	5,200	2.90	485
Probable			
OP Saprolite	2,934	1.91	180
OP Rock	12,128	3.02	1,178
UG Rock	16,519	3.19	1,694
Total Probable	31,580	3.01	3,052
Total P&P	36,781	2.99	3,537

Notes:

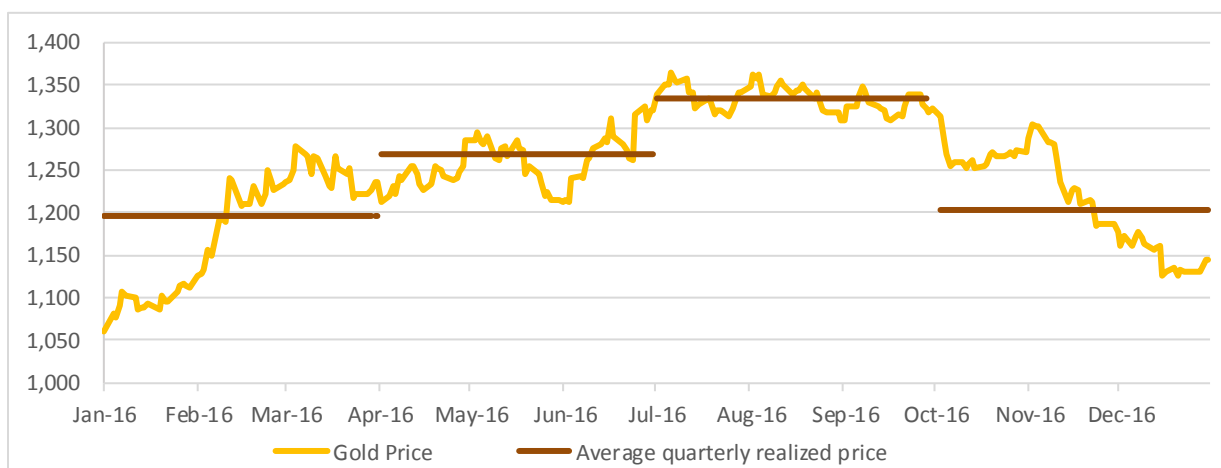
1. Mineral Reserves are based on a gold price of US\$1,200 per ounce, 8% royalty and an average metallurgical recovery of 96.0% for saprolite and 94.0% for fresh rock material.
2. Open pit saprolite and rock reserves are reported at a cut-off grade of 0.44 g/t Au and 0.42 g/t Au for vein and upper saprolite material respectively. Open pit rock reserves are reported at a cut-off grade of 0.76 g/t Au and 0.64 g/t Au for vein and Rory’s Knoll rock material respectively.
3. Underground fresh rock reserves are reported at a cut-off grade of 1.5 g/t Au.
4. Mineral Reserves are contained within Mineral Resources.
5. SRK Consulting (Canada) Inc. is not aware of mining, metallurgical, infrastructure, permitting, or other factors that could materially affect the mineral reserve estimates.

KEY PERFORMANCE DRIVERS & TRENDS

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

The price of gold in 2016 based on the London Bullion Market Association PM Fix is summarized in the chart below. The gold price averaged \$1,251 per ounce for the year with prices peaking in the third quarter before pulling back in the fourth quarter to an average price of \$1,218 per ounce. Subsequent to December 31, 2016, the price of gold has mostly been in a trading range between \$1,200 per ounce and \$1,250 per ounce. The Company has not entered into any gold hedging programs.





Other key performance drivers include production volumes and costs which are further discussed below.

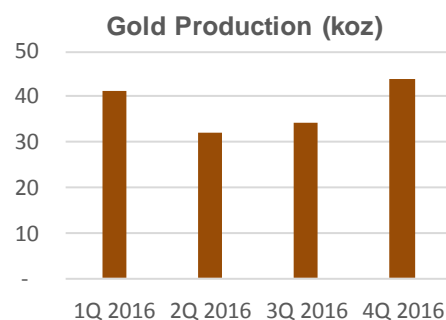
MINE OPERATING RESULTS

KEY OPERATING STATISTICS

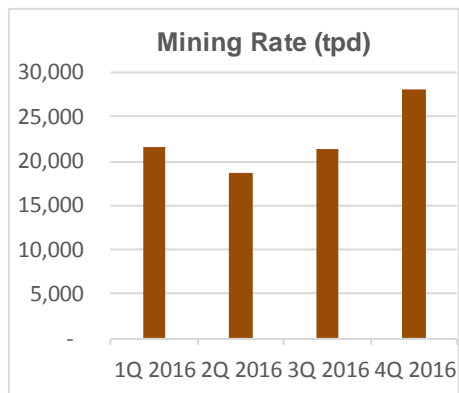
		2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Ore mined	<i>tonnes</i>	2,507,200	688,000	642,200	623,400	553,600
Waste mined	<i>tonnes</i>	5,700,900	1,899,800	1,315,100	1,076,700	1,409,300
Total Mined	<i>tonnes</i>	8,208,000	2,587,800	1,957,300	1,700,100	1,962,900
Strip ratio	<i>waste:ore</i>	2.3	2.8	2.0	1.7	2.5
Tonnes mined per day	<i>tpd</i>	22,400	28,100	21,300	18,700	21,600
Ore processed	<i>tonnes</i>	1,889,000	507,500	491,200	427,700	462,600
Tonnes processed per day	<i>tpd</i>	5,200	5,500	5,300	4,700	5,100
Head grade	<i>g/t Au</i>	2.74	2.94	2.42	2.61	3.07
Recovery	<i>%</i>	90.2	90.6	88.7	91.1	89.2
Mill utilization	<i>%</i>	89.1	87.3	89.9	90.2	89.0
Gold Produced	<i>ounces</i>	151,600	43,800	34,400	32,000	41,300
Gold Sold	<i>ounces</i>	156,000	45,500	33,300	36,600	40,500
Average Realized Gold Price	<i>\$/ounce</i>	1,245	1,204	1,334	1,269	1,196

Gold Production

The Company had a strong fourth quarter, producing 43,800 ounces, its best quarter for the year. Throughput levels continue to improve, averaging 5,500 tpd in the quarter, and, due to mine sequencing, there was also an uptick in the average head grade relative to the prior quarters. Gold produced for the year totalled 151,600 ounces, which was in line with the Company's upwardly revised guidance of 140,000 to 160,000 ounces.



Mining Activities



Rory's Knoll contributed approximately 80% of the mined ore during the fourth quarter with the remainder being sourced from Aleck Hill, all of which was saprolite. The daily mining rate, which averaged 28,100 tpd during the period, showed steady increases relative to the prior two quarters. Heavy rains, particularly in December, were mitigated effectively through pit dewatering efforts and did not impact overall mine production. Pre-development and stripping activities of the saprolite for the second phase of Rory's Knoll and at Aleck Hill was ongoing during the quarter. The stripping ratio of 2.8:1 during the period was roughly in line with budgeted levels. For the year, the average mining rate was 22,400 tpd at a strip ratio of 2.3.

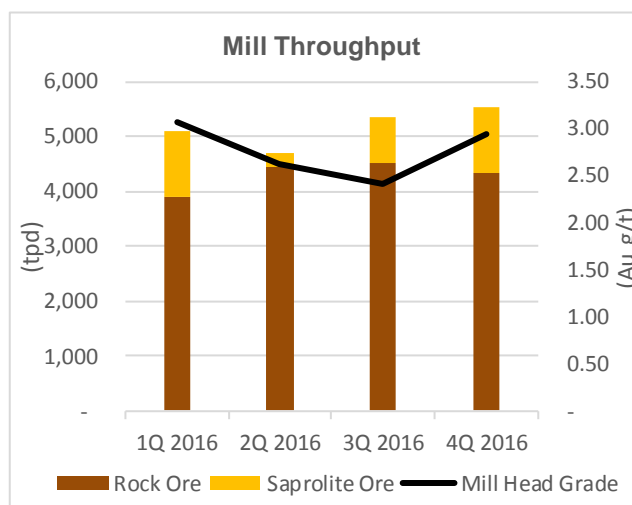
The delivery of the bulk emulsion explosives truck is expected by the end of the first quarter of 2017 and should deliver meaningful cost savings from the second quarter of 2017 onwards. The Company is also expanding its mining fleet in the first half of the year with the addition of new trucks, drills and excavators to accommodate higher mining rates related to an increase in the strip ratio in 2017. The expanded fleet will also eliminate the current reliance on rental equipment which should translate to lower mining costs on a per tonne basis.

Processing Activities

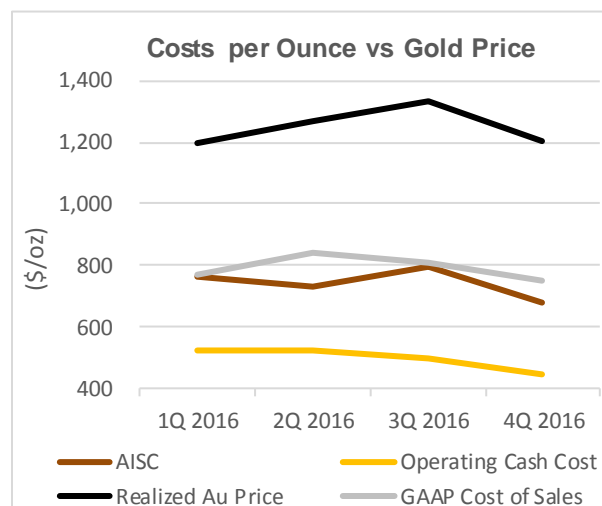
The mill processed a record 507,500 tonnes or 5,500 tpd in the fourth quarter. This was achieved despite a lower mill utilization rate in the quarter of 87.3% related to three days of downtime to replace SAG mill liners and repair work on the trash and trommel screens in November. Gold recoveries increased from 88.7% in the third quarter to 90.6% in the fourth quarter. This was largely attributable to an improvement in grind size related to a higher proportion of saprolite ore being fed to the mill in the quarter (~22% versus 15% in the prior quarter).

The mill performed strongly in its first full year of operation with throughput averaging 5,200 tpd in 2016 at an average recovery of 90.2%. Mill performance at the start of 2017 has been especially strong with an average throughput rate of 6,100 tpd achieved in January, a monthly record for the Company.

As of December 31, 2016, there were approximately 3,210 contained ounces of gold in circuit with an additional 2,718 ounces in doré inventory ready to be refined.



Cash Costs & AISC



Cost of sales (including depreciation & royalties) were \$750 per ounce in the fourth quarter and \$789 per ounce for the year. Production costs (mining, processing and site G&A costs) in 2016 were \$77.4 million for the year. This equates to an operating cash cost of \$496 per ounce of gold sold¹, which is in line with the Company's guidance of \$487 to \$537 per ounce of gold sold. Fourth quarter production costs were \$20.3 million or \$446 per ounce of gold sold. This cost performance continued the downward trend on a cost per ounce of gold sold basis through the course of the year. The main drivers behind this trend were lower general and administrative expenses at the mine site, as the operation reached steady state levels, and lower mining costs, due to improved

availability and utilisation of mining equipment as well as a lower reliance on more expensive rental equipment.

Total cash costs¹ for 2016 including the royalty expense of \$15.5 million were \$595 per ounce of gold sold. Total cash costs for the fourth quarter including the royalty expense of \$4.4 million were \$542 per ounce of gold sold, significantly below the average for the nine months ending September 30, 2016, of \$617 per ounce of gold sold, driven primarily by lower production costs as discussed above.

All-in sustaining costs¹ were \$678 per ounce in the fourth quarter, a significant drop from the previous quarter of \$796 per ounce. Total sustaining capex in the quarter was \$3.9 million with \$3.6 million of this related to deferred stripping at Rory's Knoll and Aleck Hill. All-in sustaining costs¹ for the year were \$738 per ounce, slightly below revised guidance of \$740 to \$760 per ounce.

FULL YEAR & FOURTH QUARTER 2016 FINANCIAL RESULTS

Commercial production at the Aurora Gold Mine commenced on January 1, 2016, and hence there are no comparable 2015 financial results for revenue – metal sales, cost of sales and net finance expense.

Revenue – metal sales

The Company generated revenue of \$194.2 million in 2016 based on 156,000 ounces of gold sold at an average realized price of \$1,245 per ounce. Fourth quarter revenues of \$54.8 million were particularly strong due to a record quarter of 45,500 ounces of gold sold at an average realized price of \$1,204 per ounce.

¹ This is a non-IFRS measure. Refer to "Non-IFRS Performance Measures" section in this MD&A.



Cost of sales

Cost of sales for 2016 totaled \$34.0 million for the fourth quarter and \$123.0 million for the year. Cost of sales are comprised of royalties, depreciation and production costs (which have been previously discussed), and on a per ounce of gold sold basis were \$750 for the fourth quarter and \$789 for the year.

Depreciation expense associated with fourth quarter mining activities was \$9.4 million compared to \$6.8 million in the third quarter of 2016. This increase in depreciation expense was attributable to the higher amount of gold ounces sold in the fourth quarter. Depreciation expense for 2016 was \$30.2 million.

Corporate general & administrative expenses

Corporate general and administrative expenses were \$5.7 million in 2016 compared to \$4.3 million in the prior year. Included in these costs are salaries and benefits, professional fees, shareholder relations and filing fees, as well as other expenditures associated with operating the Canadian corporate office. The increase in expense is primarily attributable to the capitalization in the prior year of salaries and benefits of management associated with development activities at the Aurora Gold Mine, prior to commercial production. For the fourth quarter of 2016 corporate general and administrative expenses were \$1.1 million, roughly in line with corporate general and administrative expenses of \$1.0 million in the comparable quarter last year.

Exploration and Evaluation Expenses

Exploration and evaluation expense for the year ended December 31, 2016 was \$1.4 million, roughly in line with exploration expenses of \$1.6 million in 2015. There was a slight uptick in exploration expenditures in the fourth quarter to \$0.5 million (compared to \$0.2 million in the fourth quarter of 2015) as compilation and mapping activity proceeded up ahead of planned drill programs in 2017.

Net Finance (Expense) Income

The net finance expense in 2016 was \$9.2 million for the fourth quarter and \$17.7 million for the year. The large increase in the fourth quarter relates to a non-recurring, non-cash charge of \$7.3 million resulting from the previously capitalized financing fees remaining on the balance sheet being charged to net earnings as part of the debt restructuring.

Net earnings (loss)

Net earnings for the fourth quarter of 2016 amounted to \$3.4 million (\$0.02 cents per diluted share), compared to net earnings of \$25.3 million (\$0.16 per diluted share) for the comparable quarter last year. Fourth quarter earnings were negatively impacted by the non-recurring non-cash charge of \$7.3 million (\$0.04 cents per diluted share) as previously discussed.

Net earnings for 2016 totaled \$27.0 million, compared to 2015 net earnings of \$20.1 million (\$0.13 per diluted share). The 2015 net earnings were boosted by a non-cash recognition of a deferred tax asset of \$28.9 million (\$0.19 per diluted share).

Comprehensive Income

The Company reported a comprehensive income of \$14.2 million in the quarter and \$47.7 million for the year, versus a comprehensive income of \$25.3 million and \$20.1 million for the comparable quarter and year in 2015, respectively. The difference between Net Earnings and Comprehensive Income for the fourth



quarter and year in 2016 is attributable to a \$10.8 million unrealized gain in the fourth quarter and \$20.7 million unrealized gain for the year on available for sale securities (see “Liquidity and Capital Resources” for more details). In 2015, Net Earnings and Comprehensive Income were equal.

EXPLORATION ACTIVITIES

Exploration activities during the fourth quarter consisted of mapping and assessment work at brownfield targets proximal to the Aurora Gold Mine as well as at the Company’s Sulphur Rose deposit, located approximately 20km to the northeast of the Aurora Gold Mine.

Drilling is expected to commence on brownfield targets by the end of the first quarter. Initial drilling will be focused on the North West Aleck Hill target. Mapping and assessment work will also be ongoing through 2017 on other brownfield targets on the Aurora Gold Mine concession.

The Company completed a ground IP and magnetics survey during the fourth quarter at Sulphur Rose. Field work to follow-up on anomalies generated by the survey will be conducted in the first quarter with a goal of defining drill targets. Geochemical soil sampling and additional assessment work is also being completed at Wynamu, located approximately 30 km to the north of Sulphur Rose, ahead of a planned drill program ramping up later this year.

EQUITY FINANCING – JULY 2016

On July 19, 2016, the Company closed a public offering (the “Offering”) on a bought deal basis of 12,830,000 Common Shares from treasury at a price of \$7.22 (Cdn\$9.40) per Common Share. On August 22, 2016, the Company closed the exercise of the over-allotment option and issued an additional 1,500,000 Common Shares at a price of \$7.26 (Cdn\$9.40) per Common Share. Gross proceeds on closing, including the over-allotment, were \$103.5 million (Cdn\$134.7 million). Issuance costs of \$5.6 million (Cdn\$7.3 million) represent underwriters’ commission relating to the Offering, as well as legal and regulatory costs.

The net proceeds of the Offering, including the over-allotment, totalled \$97.8 million and were expected to be used to fund a planned expansion of the Aurora Gold Mine that is anticipated to increase capacity from 5,000 tpd to 8,000 tpd, for expanded exploration activities, for debt repayment, for general corporate purposes, and may also include opportunistic investments in Guyana and elsewhere, all subject to board and lender approval. As part of the debt restructuring the Company paid down its debt balance by \$55.7 million in the fourth quarter. For the first phase of the mill expansion, the 2017 Feasibility Study assumed a capital cost of \$21.4 million for the first phase of the mill to be spent in 2017 and the first quarter of 2018. The study also assumes an expansion of the mine fleet in 2018 at a cost of approximately \$24.3 million. Exploration expenditures of \$0.5 million in the fourth quarter were relatively modest, however investment in exploration in 2017 is expected to increase significantly with the commencement of drilling activity in the first quarter.

Although the Company intends to expend the net proceeds from the Offering as set forth above, there may be circumstances where for sound business reasons, a reallocation of funds may be deemed prudent or necessary, and may vary materially from that set forth above.

FINANCIAL CONDITION

<i>(In thousands of dollars)</i>	December 31, 2016		December 31, 2015	
Current assets	\$	145,366	\$	42,449
Non-current assets		293,469		324,942
Total assets	\$	438,835	\$	367,391
Current liabilities	\$	33,923	\$	61,864
Non-current liabilities		68,068		121,711
Total liabilities		101,991		183,575
Shareholders' equity		336,844		183,816
Total liabilities and equity	\$	438,835	\$	367,391

The financial condition of the Company has strengthened significantly from a working capital deficit of \$19.4 million as at December 31, 2015, to a positive working capital balance of \$111.4 million as at December 31, 2016. This has been driven by both an increase in current assets and a decrease in current liabilities as outlined below.

Current assets have increased by \$102.9 million year to date to \$145.4 million. This increase can be attributed to the Offering completed in July 2016, free cash flow generation, an increase in value in the Company's SolGold investment as well as the transfer of \$15.5 million in gold, parts and supplies inventory for the Aurora Gold Mine that was previously included within development costs as at December 31, 2015.

The decrease in current liabilities of \$27.9 million in 2016 to \$33.9 million is driven by a \$26.7 million reduction in accounts payable and accrued liabilities related to the Aurora Gold Mine development period including the payment of all amounts owing under the engineering, procurement and construction contract ("EPC Contract") (\$18.0 million for the year). In addition, there was also a decrease in the current portion of long-term debt of \$8.4 million related to the debt restructuring.

The most significant liability on the Company's balance sheet is the Company's project loan facility for the Aurora Gold Mine. The original project loan facility was signed September 2, 2014, to provide for a \$160.0 million loan with a maximum term of eight years at a weighted average interest rate of 3-month LIBOR plus 5.11%. On December 21, 2016, the Company announced that it had successfully refinanced this facility to a new project loan facility ("New Facility"). The New Facility amounts to \$80 million and contemplates sixteen (16) quarterly principal repayments of \$5 million each over a period of four (4) years beginning March 31, 2017. Various covenants and restrictions have been removed including the release of \$23 million of restricted funds held by the Lenders in the Overrun Equity Account, the elimination of cash sweeps, and a reduction of 1.3% in the interest rate compared to the original loan facility. There is no required gold hedging or other required similar provisions associated with the New Facility and the Company is in compliance with all key covenants under the New Facility as of the date of this MD&A. As at December 31, 2016, \$80.0 million of principal was outstanding under the New Facility (current portion of \$20.0 million and non-current portion of \$60.0 million).

Shareholders' equity has increased by \$153.0 million in 2016 to \$336.8 million, substantially driven by the Offering completed in July 2016 and by comprehensive income of \$47.7 million for the year.

LIQUIDITY & CAPITAL RESOURCES

The Company finished the year with a cash balance of \$73.2 million. This strong cash position provides the Company with ample capacity to meet its most significant near-term liquidity requirements which consist of capital purchase requirements of \$14.7 million, scheduled principal debt repayments of \$20.0 million over the next 12 months (\$5.0 million per quarter) and expected capital expenditure requirements of \$21.4 million in 2017 and the first quarter of 2018 for the phase one expansion of the mill.

Operating Cash Flows

The Company generated \$23.5 million of operating cash flow during the fourth quarter, making it the strongest quarter for cash flow generation to date and demonstrating a significant increase on the \$13.8 million of operating cash flow in the prior quarter. The primary driver behind this increase was the strong operational results posted in the fourth quarter as previously discussed.

For 2016, the Company generated \$76.5 million of operating cash flow. In 2015, the Company's Aurora Gold Mine was not in commercial operations, and as such had negative cash flows from operations for the year of \$4.9 million.

Financing Activities

For 2016, total cash from financing activities was \$26.6 million. The primary drivers behind this were a cash inflow of \$103.5 million from the Offering which was offset by principal debt repayments of \$75.7 million. Total cash from financing activities in the fourth quarter was an outflow of \$56.9 million. This primarily related to the debt restructuring and establishment of the New Facility which resulted in principal debt repayments of \$55.7 million for the period.

For the year ending December 31, 2015, the Company received cash inflow from financing activities of \$91.2 million that came from advances under the former loan facility of \$87.1 million to enable the construction of the Aurora Gold Mine and proceeds from the exercise of stock options of \$4.2 million.

Investing Activities

Cash from Investing Activities was an inflow of \$1.7 million for the fourth quarter. There was a significant cash inflow of \$22.0 million that was released from the Company's restricted cash accounts following the debt restructuring. This was offset an additional \$3.5 million investment in SolGold, \$3.6 million on deferred stripping and \$3.0 million on additions to Property, Plant & Equipment.

During the quarter, the Company also spent \$8.7 million on the acquisition of a modular 1,000 tpd processing plant and a 6MW power plant. The power plant will be sufficient to meet the additional power needs associated with the new ball mill which is to be installed in the second phase of the proposed mill expansion while the modular plant has the potential to be used at some of the Company's satellite deposits pending exploration success. The modular plant was originally designed and built for the Hope Bay project in Canada and consists of a primary crusher, ball mill, gravity circuit, leach circuit and flotation circuit. The modular plant has never been used while the power plant was only in operation for approximately 18 months before being put on care and maintenance. The majority of the parts and equipment associated with the modular plant have been shipped and are currently in storage at the Company's Buckhall facility near Georgetown. The power plant is undergoing routine testing in Canada and is expected to be shipped to Guyana later this year.

During the third quarter, the Company purchased 81.3 million shares of SolGold at \$0.08 per share for total consideration of \$6.5 million pursuant to SolGold's capital raising that closed on September 2, 2016. In the fourth quarter, the Company purchased an additional 21.9 million shares of SolGold at \$0.16 per share for total consideration of \$3.5 million pursuant to an additional capital raising that closed on October 17, 2016. In aggregate, the Company owns a 7.2% interest in SolGold's issued share capital as of the date of this MD&A. SolGold owns an 85% interest in the Cascabel Copper Gold Porphyry project located in Ecuador. The Company believes Cascabel has the potential to be a world-class copper gold porphyry deposit based on the significant high grade intercepts of gold and copper mineralization from initial drilling at the project. The Company reported an unrealized gain of \$10.8 million on its investment in the fourth quarter. At the date of this MD&A, the unrealized gain is \$48.5 million. The acquired shares of SolGold will be held for investment purposes. The Company may, from time to time, increase or decrease its ownership on SolGold depending on market and other conditions.

In 2016, Cash from Investing Activities was an outflow of \$42.7 million. This included \$25.3 million related to the reduction of accounts payable and accrued liabilities related to the development of the Aurora Gold Mine, \$27.2 million on property, plant and equipment, and \$10.0 million on the SolGold investment. This was offset by the release of \$26.0 million of restricted cash as previously discussed.

In 2015, there was a cash outflow from investing activities of \$90.1 million. The key component of this outflow was \$105.5 million spent on the development costs associated with the construction of the Aurora Gold Mine.

Liquidity Outlook

The Company anticipates that its mine operations will generate sufficient working capital and cash flow to cover operating requirements for the next twelve months, including principal debt and interest repayments.

COMMITMENTS & CONTINGENCIES

The Mineral Agreement and Mining Licence for the Aurora Gold Mine require the Company to undertake various obligations and commitments over the twenty-year life of the agreements. The Company is in compliance in all material respects with all terms and conditions of the Mining Licence and Mineral Agreement for the Aurora Gold Mine. The government of Guyana has the right to terminate the agreements in the event of default by written notice to the Company, subject to a dispute resolution process involving arbitration.

The Company is currently committed to \$101.4 million for purchase obligations, contractual commitments and operating leases, as follows.

(in thousands of dollars)

	Total	2017	2018	2019	2020	There- after
Debt principal repayments	80,000	20,000	20,000	20,000	20,000	
Mine closure funding	4,000	1,000	1,000	1,000	1,000	
Other contractual commitments	1,050	458	458	84	50	-
Capital purchase commitments	14,695	14,695	-	-	-	-
Operating leases	1,686	436	436	436	243	135
Total Commitments At December 31, 2016	\$ 101,431	\$ 36,589	\$ 21,894	\$ 21,520	\$ 21,293	\$ 135

The Company has entered into derivative contracts in order to manage its exposure to fluctuations in the market price of diesel. The following is a summary of the Company's commitments for diesel forward contracts at December 31, 2016:

(In thousands of dollars other than per litre amounts)

	Contracted operating expenses	Number of litres hedged	Average rate per litre
2017	\$ 5,464	12,000,000	0.46
2018	5,888	13,400,000	0.41
2019	3,436	8,200,000	0.48
Total	\$ 14,788	33,600,000	\$ 0.44

The diesel commodity swap forward contracts are secured under the Project Facility and documented in the form of an International Swap and Derivatives Association ("ISDA") master agreement.

Fair value estimates for derivative contracts are based on quoted market prices provided by a financial institution and represent the amount the Company would have received from, or paid to, a counterparty to unwind the contract at the market rates in effect at the consolidated balance sheet date. The fair value of derivative instruments is as follows:

(In thousands of United States dollars)

	December 31, 2016	December 31, 2015
Diesel forward contracts – net derivative liability	\$ 1,092	\$ (2,320)

SUMMARY OF QUARTERLY FINANCIAL RESULTS

(Expressed in thousands of dollars except per share and ounce amounts). (Quarterly results are unaudited)

	2016				2015			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Gold ounces produced	43,800	34,400	32,000	41,300	35,600	300	-	-
Gold ounces sold	45,500	33,300	36,600	40,500	28,900	-	-	-
Metal sales ^A	\$ 54,809	44,403	46,411	48,530	-	-	-	-
Cost of sales								
Production costs	20,320	16,615	19,167	21,284	-	-	-	-
Royalty	4,374	3,540	3,701	3,869	-	-	-	-
Depreciation	9,442	6,841	7,924	5,977	-	-	-	-
Total cost of sales	\$ 34,136	26,996	30,792	31,130	-	-	-	-
Earnings from mine operations	20,673	14,777	15,619	17,400	-	-	-	-
Net expenses ^B	(2,064)	(2,630)	(2,464)	(1,798)	(1,544)	(1,734)	(2,013)	(1,873)
Net finance (expense) income	(9,231)	(2,835)	(1,508)	(4,107)	(2,119)	253	198	(41)
Deferred tax (expense) recovery	(5,973)	(3,021)	(4,005)	(4,478)	28,936	-	-	-
Net earnings (loss)	\$ 3,405	8,921	7,642	7,017	25,273	(1,481)	(1,815)	(1,914)
Earnings (loss) per share:								
Basic	\$ 0.02	0.05	0.05	0.05	0.16	(0.01)	(0.01)	(0.01)
Diluted	\$ 0.02	0.05	0.05	0.04	0.16	(0.01)	(0.01)	(0.01)

^A All metal sales prior to commercial production were credited against capitalized Aurora Gold Mine assets under development, a component of mineral properties, plant and equipment.

^B Includes corporate general and administrative expenses, exploration and evaluation expenses, stock based compensation, and non-mine related depreciation expense (as separately disclosed in the condensed consolidated interim financial statements).

OUTSTANDING SHARE DATA

At the date of this MD&A, the issued and outstanding Common Shares totalled 171,383,469. Options outstanding amounted to 8,014,844 at the date of this MD&A, each of which is exercisable to acquire one Common Share in accordance with the terms thereof.

NON-IFRS¹ PERFORMANCE MEASURES

The Company has included certain non-IFRS performance measures in this MD&A. These measures are not defined under IFRS and should not be considered in isolation. The Company believes that these measures, together with measures determined in accordance with IFRS, provide investors with an improved ability to evaluate the underlying performance of the Company. The inclusion of these measures is meant to provide additional information and should not be used as a substitute for performance measures

¹ IFRS – International Financial Reporting Standards



prepared in accordance with IFRS. These measures are not necessarily standard and therefore may not be comparable to other issuers.

The Company has applied the World Gold Council's June 2013 published guidance in reporting cash costs and all-in sustaining costs to its mining operations. Adoption of cash costs and all-in sustaining cost metrics is voluntary and not necessarily standard, and therefore, these measures presented by the Company may not be comparable to similar measures presented by other issuers. The Company believes that the cash costs and all-in sustaining cost measures complement existing measures reported by the Company.

Total cash costs per ounce

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

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

The following table reconciles these non-IFRS measure to the December 31, 2016 consolidated interim statements of operations and comprehensive income (loss).

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

	2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Production costs (Cash costs)	\$77,386	\$20,320	\$16,615	\$19,167	\$21,284
Divided by: Gold ounces sold	156,000	45,500	33,300	36,600	40,500
Total cash costs per ounce - before royalty	\$496	\$446	\$499	\$524	\$525
Cash costs - above	\$77,386	\$20,320	\$16,615	\$19,167	\$21,284
Add royalty costs	\$15,484	\$4,374	\$3,540	\$3,701	\$3,869
Total cash costs	\$92,870	\$24,694	\$20,156	\$22,868	\$25,153
Divided by: Gold ounces sold	156,000	45,500	33,300	36,600	40,500
Total cash costs per ounce	\$595	\$542	\$605	\$625	\$620
Revenues – metal sales	\$194,153	\$54,809	\$44,403	\$46,411	\$48,530
Production costs	\$77,386	\$20,320	\$16,615	\$19,167	\$21,284
Royalty	\$15,484	\$4,374	\$3,540	\$3,701	\$3,869
Operating profit	\$101,283	\$30,115	\$24,248	\$23,543	\$23,377
Divided by: Gold ounces sold	156,000	45,500	33,300	36,600	40,500
Operating profit per ounce	\$649	\$661	\$728	\$644	\$576
Operating profit margin	52%	55%	55%	51%	48%

All-in sustaining cost per ounce

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

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

The following table reconciles these non-IFRS measure to the December 31, 2016 consolidated interim financial statements.

<i>(in thousands of dollars except ounces and per ounce calculations)</i>	2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Total cash costs – as above	\$92,870	\$24,694	\$20,156	\$22,868	\$25,153
Sustaining capital ^{(1) (2)}	12,435	3,924	3,616	1,126	3,769
Corporate general and administrative expenses	5,740	1,065	1,907	1,618	1,151
Exploration and evaluation costs	1,398	524	270	381	222
Stock based compensation	1,588	462	384	397	344
Asset retirement obligation – accretion ⁽³⁾	56	15	14	14	13
Realized loss on diesel forward contracts ⁽³⁾	1,053	168	170	267	448
All-in sustaining costs	\$115,139	\$30,851	\$26,516	\$26,671	\$31,100
Divided by: Gold ounces sold	156,000	45,500	33,300	36,600	40,500
All-in sustaining costs per ounce	\$738	\$678	\$796	\$729	\$767

- (1) 2016 sustaining capital balance reflects additions to mineral properties, plant and equipment in the consolidated interim statements of cash flows of \$27.8 million, less costs of \$15.3 million considered non-sustaining relating to major projects that will materially increase production. Comparable changes were made to first quarter amounts to reflect this methodology which resulted in a revision to first quarter all-in sustaining costs from \$778 per ounce of gold sold to \$767 per ounce sold. The Company considers the acquisitions in 2016 of new drills, excavators and haul trucks to be directly related to the development period of the Aurora Gold Mine, whereby these major capital additions were deferred to the commercial production period rather than requiring a draw-down of the Company’s cost overrun facility in 2015. The Company had supplemented its mining operations with the use of rental equipment since commencing with commercial production on January 1, 2016.
- (2) Sustaining capital for the 12 months ended December 31st 2016, and three months ended March 31st, 2016, includes \$19 and \$58 cost per ounce sold for the used Twin Otter airplane for local transport.
- (3) Included in net finance expense in the consolidated interim statements of operations and comprehensive income (loss) – See Note 13

Operating cash flow per diluted share

Operating cash flow per diluted share has been computed as follows:

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

	2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Operating cash flow	\$76,534	\$23,530	\$13,802	\$15,565	\$23,637
Diluted weighted average number of common shares outstanding	164,318,183	173,492,324	169,959,869	159,046,613	157,475,484
Operating cash flow per diluted share	\$0.47	\$0.14	\$0.08	\$0.10	\$0.15

ADDITIONAL GAAP FINANCIAL PERFORMANCE MEASURES

The Company has included the additional IFRS measure “Earnings from mine operations” in the financial statements. Management believes that that “Earnings from mine operations” provides useful information to investors as an indication of the Company’s principal business activities before consideration of how those activities are financed, and before sustaining capital expenditures, corporate general and administrative expenses, exploration and evaluation expenses, stock based compensation, non-mine related depreciation, net finance expenses, and taxation.

RISK FACTORS

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

Exploration, Development and Operating Risks

Mining operations generally involve a high degree of risk. Guyana Goldfields’ operations are subject to all the hazards and risks normally encountered in the exploration, development and production of gold, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability.

The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing

mines. Major expenses may be required to locate and establish Mineral Reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by Guyana Goldfields will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in Guyana Goldfields not receiving an adequate return on invested capital.

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

Licensing Matters

Guyana Goldfields' operations are subject to receiving and maintaining permits and licences from appropriate governmental authorities. Although Guyana Goldfields currently has all required permits and licenses for its operations as currently conducted, there is no assurance that delays will not occur in connection with obtaining all necessary renewals of such permits and licenses for the existing operations or additional permits or licenses for all future operations. There can be no assurance that Guyana Goldfields will continue to hold all permits and licenses necessary to develop or continue operating at any particular property, or that any such licenses or permits awarded will not be cancelled pursuant to applicable legislation.

The interest of Guyana Goldfields in the Aurora Gold Mine is held through a MA and Mining Licence that sets out a tax regime and development and production framework. All other properties are held through property licences.

The MA and Mining Licence for the Aurora Gold Mine require the Company to undertake various obligations and commitments over the twenty year life of the agreements. The government of Guyana has the right to terminate the agreements in the event of default by written notice to the Company, subject to a dispute resolution process involving arbitration. There can be no assurance that the Company will continue to be in compliance with all terms and conditions of the MA and Mining Licence or assurance that any dispute resolution process will decide in the Company's favour.

Geotechnical Risks

Geotechnical risks are present for any mining operation. As part of the risk mitigation strategy, it was important to develop a design that has flexibility to address potential unexpected situations; such as hidden and undetected faults, or deviation from the ore body geometry etc., without major interruption to the mining process. The second important risk mitigation measure is the development and commissioning of comprehensive instrumentation and monitoring programs that will provide early warning and enable mine planners to develop an alternative approach.

On February 2, 2017, the Company issued the 2017 Feasibility Study. For this report, Jarek Jakubec of SRK Consulting (Canada) Inc. was the Qualified Person responsible for the Geotechnical Engineering portion of the report. The following open pit geotechnical risks were noted in the report:

- Brittle Fault Location and Characterization – Currently, a model of the brittle fault features and large persistent joints expected behind the pit face in the region of the final pit does not exist. Local structure mapping has been conducted on site, however these observations have not been interpreted to extend behind the pit face to the planned interim or final wall locations. The structural model of the rock at the final pit wall location is an integral part of the overall slope design which must be reviewed against the likelihood of faults to avoid large scale slope failures ranging from multi-bench to inter-ramp scale. An improved understanding of the nature and location of any potential brittle fault features at the final pit wall locations should be undertaken as soon as possible. This is commonly achieved through the development of a 3D structural model. All slope designs and angles are contingent to their review against a fault model and should not be considered final until this reconciliation is complete. Pit slope designs may be governed by major structures.
- Shear Zone Characterization (Aleck Hill) – The location and geotechnical nature (thickness, strength, etc) of the shear zones at the Aleck Hill pit are based on limited data. Additional boreholes should be drilled to allow for a more complete characterization of these zones. If the shears are found to be extensive, inter-ramp wall angles may be required to be flattened to accommodate for the foliation and weakened rock mass strength.
- Wall Control Blasting – The angles provided within this document are based up best industry blasting practices in which wall control is of primary importance. Excessive blast damage will not allow for the achievement of the designed IRA's. Bench heights may be reduced to 10m if necessary, however, bench widths should also be evaluated to keep the IRA's in the design sectors similar.

The underground geotechnical risks noted in the 2017 Feasibility Study were based on the review of historical data and observations on site and are outlined as follows:

- Slope Stability – The current mine design includes open benching to the surface. Instability of the slopes above may lead to excess dilution in the underground mine. Due to their impact on the underground mine, the slopes should be designed to a FOS of 1.3 and above.
- Brittle Fault Location and Characterization – Currently, a model of the brittle fault features and large persistent joints expected underground does not exist. Local structure mapping has been conducted on site, however these observations have not been interpreted to extend to the underground locations. An improved understanding of the nature and location of any potential brittle fault features at the underground mine locations should be undertaken as soon as possible. This is commonly achieved through the development of a 3D structural model.
- Shear Zone Characterization (Aleck Hill) – The location and geotechnical nature (thickness, strength, etc) of the shear zones at the Aleck Hill pit are based on limited data. Additional boreholes should be drilled to allow for a more complete characterization of these zones. If the shears are found to be extensive, underground development and stope locations may be required to move or be reduced in size to accommodate for the foliation and weakened rock mass strength or an increase in ground support (and associated costs) will be required.
- Water Inflow – Any changes in the location and geotechnical nature (thickness, strength, etc) of the shear zones at the Aleck Hill area may affect the local water inflow into the underground excavation. Additional costs may be associated with managing the water inflow.
- Ore Geometry – ore geometry which is more complex than expected, may increase damage and dilution during production, and reduce ore recovery.

Open Pit Mine Risks

The proposed mining operation at the Aurora Gold Mine is located in a region that receives significant tropical rainstorms that could materially impact the mining operation. To minimize the risk, the mining

schedule allows for delays due to poor weather, and the mine dewatering is designed to cope with 25 year storm events. In order to minimize the impact of high rainfall, the mine has to adopt “wet mine” culture and proposed recommendations in terms of water diversions, slope erosion preventions etc. has to be implemented. With the global change in weather conditions, there is an elevated risk that significant rainfall outside the expected design parameters could cause further production interruptions. This mine plan accounts for certain external dilution of the ore during the mining operations. This allowance is based on third party consultants’ practical open pit mining experience but requires accurate ore control modeling and field observations, followed by dig face demarcation and digging, in order to achieve the estimated dilution rates. If dilution is higher than estimated, it may result in the loss of certain ore blocks which will drop below the cut-off grade.

Underground Mine Risks

There are no field-observed hydraulic conductivity values obtained for the shear zones at the Aurora Gold Mine. Higher than expected water inflows may cause delays in the mine plan and may increase the operating costs. To mitigate this risk, a complementary drilling program was proposed to further evaluate geotechnical and hydrogeological conditions of the shear zone. Also, the mine design has 13,500 m³ of storage capacity in the decline and there is provision to increase pumping capacity. Although this would increase the operating cost, a third party consultant has indicated that it would not be a fatal flaw in terms of the mine design. External mudrush risk exists for the underground mine due to the heavy rainfall and the potential for generating fines and clays from the overlaying saprolite material. This risk will be mitigated by partial pre-stripping of saprolites as part of the open pit mining and by implementation of proper dewatering and water diversion programs, such as perimeter drainage, collection sumps, etc. Timely supply of expatriate and skilled local personnel has the potential to be a very significant risk to the success of the project. The ability to adequately train local un-skilled labour to the required level is also a key factor for the underground mine. To mitigate this risk, a third party consultant has assumed that in the years the mine will be developed using an experienced underground contractor, a comprehensive training program is introduced.

The underground mine plan, mining method, production rate, and cost estimates were validated by two independent Front End Engineering Development (“FEED”) proposals completed in 2015. Despite these FEED proposals, underground development projects are prone to material cost overruns versus budget. The capital expenditures and time required to develop these projects are considerable and changes in cost or construction schedules can significantly increase both the time and capital required to build the Mine. It is not unusual in the mining industry to experience unexpected problems during the start-up phase, resulting in delays and requiring more capital than anticipated.

Mineral Processing Risks

In the January 2013 Report, a third party consultant recommended that a full risk assessment of the transportation of reagents and consumables to site at the Aurora Gold Mine should be conducted to determine any logistics issues given the plant site location.

Infrastructure Risks

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect Guyana Goldfields’ operations, financial condition and results of operations.

The 120 km access road from Buckhall to Tapir was designed for logging operations. This access road has been upgraded and is subject to ongoing maintenance work.

Insurance and Uninsured Risks

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

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

Environmental Risks and Hazards

All phases of Guyana Goldfields' operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Guyana Goldfields' operations. Environmental hazards may exist on the properties on which Guyana Goldfields holds interests which are unknown to Guyana Goldfields at present and which have been caused by previous or existing owners or operators of the properties. Government approvals and permits are currently, and may in the future be required in connection with Guyana Goldfields' operations. To the extent such approvals are required and not obtained, Guyana Goldfields may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on Guyana Goldfields and cause increases in exploration expenses, development costs, capital expenditures, operating costs or require abandonment or delays in development of new and existing mining properties.

Commercial production at the Aurora Gold Mine involves the use of sodium cyanide which is a poison. Should sodium cyanide leak or otherwise be discharged from the containment system then Guyana Goldfields may become subject to liability for cleanup work that may not be insured. While all steps will be taken to prevent discharges of pollutants into the ground water and the environment, Guyana Goldfields may become subject to liability for hazards that may not be insured against. Cyanide used by the processing facility is all destroyed prior to being discharged.

Uncertainty Relating to Mineral Resources

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

Reliability of Resource and Reserve Estimates

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

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

Uncertainty of Feasibility Study Results & Revisions to Estimates

Feasibility studies are used to determine the economic viability of a deposit, as are pre-feasibility studies and preliminary assessments. Feasibility studies are the most detailed and reflect a higher level of confidence in the reported capital and operating costs. Generally accepted levels of confidence are plus or minus 15% for feasibility studies, plus or minus 25-30% for pre-feasibility studies and plus or minus 35-40% for preliminary assessments. These levels reflect the levels of confidence that exist at the time the study is completed. Accordingly, although the Company has commenced commercial production at the Mine and ceased all development activities, it exceeded its initial development cost estimates by approximately \$5 million, or two percent, at December 31, 2015. The Company cannot be certain that future significant construction costs will not be required to correct any deficiencies in constructing the Aurora Gold Mine, or that available funding will be sufficient.

Mine Closure

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

Limited History of Mineral Production

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

Land Title

Although the title to the properties in which Guyana Goldfields holds an interest were reviewed by or on behalf of Guyana Goldfields, no formal title opinions were delivered to Guyana Goldfields and, consequently, no assurances can be given that there are no title defects affecting such properties. Title insurance generally is not available, and Guyana Goldfields' ability to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be severely constrained. Guyana Goldfields 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. Accordingly, Guyana Goldfields' mineral properties may be subject to prior unregistered liens, agreements, transfers or claims, and title may be affected by, among other things, undetected defects.

In addition, Guyana Goldfields may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

Global Financial Conditions

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

Competition May Hinder Corporate Growth

The mining industry is competitive in all of its phases. Guyana Goldfields faces strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, precious and base metals. Many of these companies have greater financial resources, operational experience and technical capabilities than Guyana Goldfields. As a result of this competition, Guyana



Goldfields may be unable to maintain or acquire attractive mining properties or skilled resources on terms it considers acceptable or at all. Consequently, Guyana Goldfields' revenues, operations and financial condition could be materially adversely affected.

Production and Cost Estimates

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

Additional Capital

The development and exploration of Guyana Goldfields' properties will require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration, development or production on any or all of Guyana Goldfields' properties or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to Guyana Goldfields. In addition, financing of the underground development at the Aurora Gold Mine may not proceed as planned, and external financing may be unavailable, or prohibitively expensive.

With the commencement of commercial production at the Aurora Gold Mine on January 1, 2016, the Company is reliant on the profitable operations of the Mine to fund its current and future liabilities. There can be no assurance that operating cash flow or any additional financing will be sufficient for any unexpected development or other costs for the Aurora Gold Mine.

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

Dilution

The Company may require additional monies to fund development, construction, operational and exploration programs. The Company cannot predict the size of future issuances of Common Shares or the issuance of debt instruments or other securities convertible into shares or the effect, if any, that future issuances and sales of the Company's securities will have on the market price of the Common Shares. If the Company raises additional funding by issuing additional equity securities, such financing may substantially dilute the interests of existing shareholders. The cost and availability of equity may also be



restricted. Sales of substantial amounts of the Company's Common Shares, or the availability of such Common Shares for sale, could adversely affect the prevailing market prices for the Company's securities.

Commodity Prices

A decline in the price of gold will materially adversely affect the price of the Common Shares, Guyana Goldfields' financial results and exploration, development and mining activities. Gold prices fluctuate widely and are affected by numerous factors beyond Guyana Goldfields' control such as the sale or purchase of gold by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States currency, global and regional supply and demand, and the political and economic conditions of major gold-producing countries throughout the world. The price of gold has fluctuated widely in recent years, and future serious price declines could cause development and or operations of Guyana Goldfields' properties to be impracticable. Future production from Guyana Goldfields' properties is dependent on gold prices that are adequate to make these properties economic.

In addition to adversely affecting Guyana Goldfields' reserve and/or resource estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

If the world market price of gold continues to drop and the prices realized by the Company decrease further and remain at such a level for any substantial period, the Company's profitability and cash flow would be negatively affected. In such circumstances, the Company may determine that it is not economically feasible to continue commercial production at its Aurora Gold Mine, or to pursue the future development of some or all of its current projects, which could have an adverse impact on the Company's financial performance and results of operations. The Company may curtail or suspend some or all of its activities, with the result that depleted reserves are not replaced. In addition, the market value of the Company's gold inventory may be reduced and existing reserves may be reduced to the extent that ore cannot be mined and processed economically at the prevailing prices.

The Company is also exposed to fair value movements on the available for sale investment. A 10% increase or reduction in SolGold's share price at December 31, 2016 would have increased or reduced comprehensive income by \$3.1 million (December 21, 2015 – Nil). There is no impact on net earnings.

Indebtedness and Inability to Satisfy Repayment Obligations

Although the Company has been successful in making its scheduled principal debt repayments under its original project loan facility and its New Facility to date, there can be no assurance that it will continue to do so. The Company's level of indebtedness could have important consequences for its operations and the value of its Common Shares including: (a) limiting its ability to borrow additional amounts for working capital, capital expenditures, debt service requirements, execution of strategic initiatives, or other purposes; (b) limiting the Company's ability to use operating cash flow in other areas because of its obligations to service debt; (c) increasing the Company's vulnerability to general adverse economic and industry conditions, including increases in interest rates; (d) limiting the Company's ability to capitalize on business opportunities and to react to competitive pressures and adverse changes in government regulation; and (e) limiting its ability or increasing the costs to refinance indebtedness.

The Company expects to utilize its Aurora Gold Mine cash flow from operations to pay its mine operating costs and to pay principal and interest on its New Facility. The Company's ability to meet these payment



obligations will depend on its future financial performance, which will be affected by financial, business, economic and other factors. The Company will not be able to control many of these factors, such as economic conditions in the markets in which it operates. The Company cannot be certain that its future cash flow from operations will be sufficient to allow it to make principal and interest payments on its New Facility and meet its other obligations. If cash flow from operations are insufficient or if there is a contravention of its New Facility covenants, the Company may be required to refinance all or part of its existing debt, sell assets, borrow more money or issue additional equity. There can be no assurance that the Company will be able to refinance all or part of its existing debt on terms that are commercially reasonable.

Interest Rate Fluctuations

Fluctuations in interest rates can affect the Company's results of operations and cash flow. The Company's New Facility is subject to variable interest rates.

Exchange Rate Fluctuations

Exchange rate fluctuations may affect the costs that Guyana Goldfields incurs in its operations. The appreciation of non-United States dollar currencies against the United States dollar can increase the cost of gold production in United States dollar terms. Although a majority of the Company's expenditures for the Aurora Gold Mine are paid in United States currency, a strengthened Canadian and Guyanese dollar relative to the United States dollar would negatively impact the Company.

Government Regulation

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

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

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

Territorial Risk

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

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

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

Political Risks

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

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

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

The Company has established a community and social relations office in Guyana which is in part, responsible for management and monitoring of government relations. The Company's senior management



meets with government officials on a regular basis to support the continued operation of the Aurora Gold Mine.

Labour and Employment Matters

While Guyana Goldfields has good relations with its employees, these relations may be impacted by changes in the scheme of labour relations which may be introduced by the relevant governmental authorities in whose jurisdictions Guyana Goldfields carries on business. Adverse changes in such legislation, or the unionization of the Aurora Gold Mine's work force, may have a material adverse effect on Guyana Goldfields' business, results of operations and financial condition.

Subsidiaries

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

Market Price of Common Shares

Securities of small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. The Company's share price is also likely to be significantly affected by short-term changes in gold prices or in its financial condition or results of operations as reflected in its quarterly earnings reports. Other factors unrelated to Guyana Goldfields' performance that may have an effect on the price of the Common Shares include the following: the extent of analytical coverage available to investors concerning Guyana Goldfields' business may be limited if investment banks with research capabilities do not continue to follow the Company; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of Common Shares; the size of the Company's public float may limit the ability of some institutions to invest in the Company's securities; and a substantial decline in the price of the Common Shares that persists for a significant period of time could cause the Company's securities to be delisted from the exchange on which they trade, further reducing market liquidity.

As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect Guyana Goldfields' long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Future Sales of Common Shares by Existing Shareholders

Sales of a large number of Common Shares in the public markets, or the potential for such sales, could decrease the trading price of the Common Shares and could impair the Company's ability to raise capital through future sales of Common Shares. Guyana Goldfields has previously completed private placements at prices per share which are from time to time lower than the market price of the Common Shares. Accordingly, a significant number of shareholders of the Company have an investment profit in the Common Shares that they may seek to liquidate.

Dependence on Management and Key Personnel

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

Competition

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

Shortages and Price Volatility of Input Commodities and Equipment

The Company is dependent on various input commodities (such as diesel fuel and cyanide) and equipment (including parts) to conduct its mining operations and development projects. A shortage of such input commodities or equipment or a significant increase in their cost could have a material adverse effect on the Company's ability to carry out its operations and therefore limit, or increase the cost of, production. The Company is also dependent on access to and supply of water to carry out its mining operations, and such access and supply may not be readily available. Market prices of input commodities can be subject to volatile price movements which can be material, occur over short periods of time and are affected by factors that are beyond the Company's control. An increase in the cost, or decrease in the availability, of input commodities or equipment may affect the timely conduct and cost of operations and development projects. If the costs of certain input commodities consumed or otherwise used in connection with the Company's operations and development projects were to increase significantly, and remain at such levels for a substantial period, the Company may determine that it is not economically feasible to continue commercial production at its Aurora Gold Mine, which could have an adverse impact on the Company's financial performance and results of operations.

Hedging Risk

The Company's results of operations can vary significantly with fluctuations in the market price of gold. The Company's practice is not to hedge gold sales. The Company does however enter into forward contracts

for the purchase of diesel when deemed advantageous by management. These derivative instruments are not formally recognized as hedging instruments and accordingly are classified as financial instruments.

Conflicts of Interest

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

Cyber Security Threats

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

Compliance with Anti-Corruption Laws

Guyana Goldfields is subject to various anti-corruption laws and regulations including but not limited to the Canadian Corruption of Foreign Public Officials Act 1999. In general, these laws prohibit a company and its employees and intermediaries from bribing or making other prohibited payments to foreign officials or other persons to obtain or retain business or gain some other business advantage. The Company's primary operations are located in Guyana and, according to Transparency International, the country of Guyana is perceived as having fairly high levels of corruption relative to the selected sample of countries around the world. Guyana Goldfields cannot predict the nature, scope or effect of future regulatory requirements to which its operations might be subject or the manner in which existing laws might be administered or interpreted. Failure to comply with the applicable legislation and other similar foreign laws could expose the Company and its senior management to civil and/or criminal penalties, other sanctions and remedial measures, legal expenses and reputational damage, all of which could materially and adversely affect the Company's business, financial condition and results of operations. Likewise, any investigation of any potential violations of the applicable anti-corruption legislation by Canadian or foreign authorities could also have an adverse impact on the Company's business, financial condition and results of operations, as well

as on the market price of the Common Shares. As a consequence of these legal and regulatory requirements, the Company has instituted policies with regard to the code of business conduct and ethics. There can be no assurance or guarantee that such efforts have been and will be completely effective in ensuring Guyana Goldfield's compliance, and the compliance of its employees, consultants, contractors and other agents, with all applicable anti-corruption laws.

Limited History of Earnings or Dividends

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

Accounting Policies and Internal Control

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

FORWARD-LOOKING STATEMENTS

Except for statements of historical fact relating to Guyana Goldfields, certain information contained in this MD&A constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the potential of the Company's properties and investments; ability to continue to satisfy all conditions and covenants under the New Facility and make scheduled repayments thereunder; the use of net proceeds from the Offering; the future price of gold; expected operating cash flows and capital costs for the Aurora Gold Mine; success of exploration and development activities; cost and timing of future exploration and development; the estimation of Mineral Resources and Reserves and any anticipated upside potential thereof; conclusions of economic evaluations; successful and profitable operations of the Aurora Gold Mine; the Company's ability to meet its most significant near-term liquidity and operating requirements; requirements for additional capital, expected improvements in mining, processing and general and administrative costs as well as proposed expanded exploration activities and other potential opportunistic investments in 2017, and other statements relating to the financial and business prospects of Guyana Goldfields. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "likely", "might" or "will be taken", "occur" or "be achieved".

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, and are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to:

- the Company's ability to continue to successfully satisfy all covenants under the New Facility, its ability to repay the New Facility as currently proposed or at all, and its ability to meet significant near-term liquidity and operation requirements;
- the Company's failure to adhere to representations, warranties, affirmative and negative covenants under the New Facility, which could give rise to an event of default under the New Facility;
- the Company's ability to achieve its production, cash cost and all-in sustaining cost guidance for 2017 and its anticipated consolidated cash flow forecast for 2017;
- risks of increases in the anticipated total capital and operating costs relating to commercial production for the Aurora Gold Mine and the Company's ability to meet such costs;
- the timing and amounts of expected cash outflows, and expected sales of gold, relating to profitable operations at the Aurora Gold Mine;
- expectations that the positive reconciliation between actual tonnes mined versus the Mineral Reserve model at the Aurora Gold Mine will continue;
- conducting mining operations, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability, including the adverse impact on the Company's cash flows and ability to repay amounts due under the New Facility;
- risks related to exploration, development and conducting mining operations, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability, including the adverse impact on the Company's cash flows and ability to repay amounts due under the New Facility;
- the success of derivative transactions to establish a ceiling for a portion of the Company's future diesel fuel purchases;
- unusual or unexpected geological formations encountered during development and/or mining operations;
- unanticipated operating events which can reduce production or cause production to be shut down or delayed;
- the fact that the Aurora Gold Mine is located in a region that is subject to significant annual rainfall that could impact mining operations;
- the risk that insurance may not be available to Guyana Goldfields on reasonable terms or at all;
- adherence to the terms and condition of the Mineral Agreement and Mining Licence with respect to the Aurora Gold Mine;
- uncertain political and economic environments;
- environmental hazards and industrial accidents;
- unionization of its work force in Guyana;
- governmental regulation, political stability in the regions in which the Company operates and environmental liability.
- management's expectations that requisite licenses and permits will be available upon terms acceptable to the Company;
- access and supply risks;
- reliance on key personnel;

- risks that mill optimization efforts, efforts to increase mill capacity and other proposed improvements in mining and processing may not be as effective as proposed, or at all;
- risks related to disputes concerning property titles and interests;
- risks relating to changes in project parameters as plans continue to be redefined, including the possibility that mining, exploration and development operations at the Aurora Gold Mine and other exploration activities may not progress as currently proposed, and funds may be reallocated on a going forward basis;
- risks relating to variations and uncertainties in the estimation of Mineral Resources and Mineral Reserves, grade or recovery rates resulting from exploration and development activities (including risks that new Mineral Resources/Reserves may not be established, or existing Mineral Resources/Reserves may not be realized), with respect to both the properties and investments of the Company;
- risks relating to changes in gold prices and the worldwide demand for and supply of gold. Fluctuation in the price for gold may adversely affect the Company's ability to obtain additional financing, influence the course of action taken in operating the Aurora Gold Mine, and affect the Company's ability to meet the New Facility's financial and non-financial covenants;
- risks related to increased competition in the mining industry generally;
- risks related to current global financial conditions;
- uncertain political and economic environments;
- the Company's goal of creating shareholder value by concentrating on the acquisition, development and exploration of properties that have the potential to contain economic gold deposits;
- ability to source new, additional or replacement financing through other share or debt issuances in support of the Aurora Gold Mine, corporate general and administrative expenses, and exploration activities and risks relating to whether the Company will be successful in restructuring the Facility as currently proposed or at all;
- future plans for the Aurora Gold Mine and other property interests held by the Company or which may be acquired on a going forward basis, if at all; and
- management's outlook regarding future trends, outlook and activities, including the ability of Guyana Goldfields to generate sufficient cash flow to cover operating requirements for the next 12 months.

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

TECHNICAL INFORMATION

Information Concerning Estimates of Measured, Indicated and Inferred Resources

The Mineral Reserve and Resource estimates in respect of the Company's property interests were prepared in accordance with Canadian NI 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"), as



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

Updated Mineral Reserves at \$1,200 per Ounce – At January 1, 2017

On February 2, 2017, the Company updated its Mineral Reserves estimate for its Aurora Gold Mine utilizing a gold price of \$1,200 per ounce. For details, refer to the press release of the Company dated February 2, 2017, available on www.sedar.com.



NI 43-101 Technical Report 2017 Updated Feasibility Study for the Aurora Gold Project, Guyana

On February 2, 2017, the Company filed the 2017 Feasibility Study for the Aurora Gold Mine reflecting an extended open-pit/deferred underground mining scenario, as well as current cost parameters, and updated Mineral Reserves based on a revised gold price of \$1,200 per ounce. For details, refer to the report entitled “Independent Technical Report Updated Feasibility Study, Aurora Gold Mine Project” dated February 2, 2017, available on www.sedar.com. The scientific and technical information concerning the updated Mineral Reserve estimate as of January 1, 2017 and other scientific and technical information concerning the 2017 Feasibility Study, was prepared under the supervision of Mr. Bob McCarthy and Mr. Chris Elliott, both “qualified persons” within the meaning of NI 43-101.

Other Technical Disclosure

Chief Geologist Augusto Flores IV, (P.Geol), a “Qualified Person” within the meaning of NI 43-101, has supervised the preparation and verified the disclosure under the heading “Exploration Activities” in this MD&A. Mr. Flores is the Senior Geologist with the Company.

Unless stated otherwise herein, all scientific and technical data contained in this MD&A has been reviewed, approved and verified by Mr. Daniel Noone who is a “Qualified Person” within NI 43-101 and is a member of the Australian Institute of Geoscientists. Mr. Noone serves as a Director of the Company and is also Vice President of Exploration for the Company.

ACCOUNTING DISCLOURE

National Instrument 52-109 Disclosure

The Company’s Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) are responsible for establishing and maintaining disclosure controls and procedures (“DC&P”) and internal controls over financial reporting (“ICFR”), as those terms are defined in National Instrument 52-109 for the Company. The Company’s controls are based on the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) (2013) framework.

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

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

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

New Accounting Policies – 2016

With the commencement of commercial production at the Aurora Gold Mine on January 1, 2016, the Company has adopted the following new accounting policies as of such date:

Commercial production:

The development phase ends and the production phase begins when the mine is in the condition necessary for it to be capable of operating in the manner intended by management. Various relevant criteria are considered to assess when the mine is substantially complete and ready for its intended use and moved into the production phase. Some of the criteria considered include, but are not limited to:

- Completion of operational commissioning of each major mine and plant component.
- Demonstrated ability to mine and mill consistently and without significant interruption at a pre-determined average rate of design capacity of 75%, composed of both soft and hard rock.
- The passage of a reasonable period of time for testing of all major mine and plant components
- Gold recoveries are at or near expected production levels.

Commercial production is declared on the first day of the calendar month following achievement of the above milestones. Upon achieving commercial production, costs are transferred from assets under development into the appropriate asset classification such as inventory and mineral properties, plant and equipment.

Once in commercial production, gold sales are recognized as revenue, and production costs as a component of cost of sales. Development expenditures incurred during the production phase to provide access to ore reserves in future periods; expand existing capacity; or generally provide future economic benefits; are capitalized under the Company's accounting policies on development costs, and mineral properties, plant and equipment.

Effective January 1, 2016, upon declaring commercial production at the Aurora Gold Mine, the Company transitioned from accounting for certain costs as a development stage company to accounting for certain costs as an operating company. This involved significant financial reporting changes as follows:

- Capitalized Aurora Gold Mine costs were transferred from assets under development to the relevant asset categories including mineral properties, plant and equipment, and to inventory;
- Capitalized costs included within mineral properties, plant and equipment began to be depreciated consistent with the Company's established accounting policies;
- Capitalization of interest expense, stock based compensation, changes to and accretion of asset retirement obligations, amortization of deferred financing costs and depreciation of property and equipment, all ceased;
- Capitalization of pre-commercial production revenues and operating costs ceased; and
- Commenced recording of mine operating results in the consolidated statement of operations and comprehensive income (loss).

Deferred stripping costs:

In open pit mining operations, it is necessary to remove overburden and other waste materials in order to produce inventory or to improve access to ore which will be mined in the future. The process of removing overburden and waste materials is referred to as stripping. Prior to the commencement of commercial production, stripping costs are capitalized as part of assets under development.

Where the costs are incurred to produce inventory, the production stripping costs are accounted for as a cost of producing those inventories. Where the costs are incurred to improve access to ore which will be mined in the future, the costs are deferred and capitalized to mineral properties, plant and equipment as a stripping activity asset (a non-current asset) if improved access to the ore body is probable, the component

of the ore body can be accurately identified, and the costs relating to the stripping activities associated with the component can be reliably measured. Capitalized costs are amortized using a unit-of-production basis over the proven and probable reserves to which they relate. If these criteria are not met, the costs are expensed in the period in which they are incurred.

Inventory:

Inventory classifications include stockpiled ore, in-circuit inventory, finished goods inventory and materials and supplies. The value of all production inventories include direct production costs and attributable overhead and depreciation incurred to bring the materials to their current point in the processing cycle. General and administrative costs for the corporate office are not included in any inventories. All inventories are valued at the lower of cost and net realizable value, with net realizable value determined with reference to market prices, less estimated future production costs (including royalties) to convert inventories into saleable form.

- i. Stockpiled ore represents unprocessed ore that has been mined and is available for future processing. Stockpiled ore is measured by estimating the number of tonnes (by truck counts or by physical surveys) added to or removed from the stockpile, the number of contained ounces (based on assay data) and estimated gold recovery percentage. Stockpiled ore value is based on the costs incurred (including depreciation) in bringing the ore to the stockpile. Costs are added to the stockpiled ore based on current mining costs per tonne and are removed at the average costs per tonne of ore in the stockpile.
- ii. In-circuit inventory represents material that is currently being treated in the processing plant to extract the contained gold and to transform it to a saleable form. The amount of gold in the in-circuit inventory is determined by assay values and by measure of the various gold bearing materials in the recovery process. The in-circuit gold is valued at the average of the beginning inventory and the costs of material fed into the processing stream plus in-circuit conversion costs including applicable mine-site overheads, and depreciation related to the processing facilities.
- iii. Finished goods inventory is gold in the form of doré bars that have been poured. Included in the costs are the direct costs of mining and processing operations as well as direct mine site overheads, and depreciation.
- iv. Materials and supplies inventories consist mostly of equipment parts and other consumables required in the mining and ore processing activities, and are valued at the lower of average cost and net realizable value.

Revenue recognition:

Revenue from the sale of refined gold is recognized when the Company has transferred significant risks and benefits of ownership to the buyer; it is probable that the economic benefits associated with the transaction will flow to the Company; the Company has no significant continuing involvement; and the amount of revenue and costs incurred or costs to be incurred in respect of the transaction can be measured reliably. The above occurs when the refined gold has been physically delivered, which is also the date when title has passed to the buyer pursuant to a purchase agreement that fixes the quantity and price of the gold for each delivery.

Prior to achieving commercial production, proceeds from gold sales were included in assets under development.

Available for sale securities

Investments in equity securities classified as available-for-sale financial assets are accounted for at their fair value, which is determined based on the last quoted market price. Changes in the market value of available-for-sale equity securities as well as the related foreign exchange and tax impact, if any, are

accounted for in accumulated other comprehensive income (loss) until the equity securities are sold or are determined to be other-than-temporarily impaired. When available-for-sale equity securities are sold or are determined to be other-than-temporarily impaired, the related accumulated change in accumulated other comprehensive income (loss) is reclassified to net loss.

Recent Accounting Pronouncements

Revenue recognition

In May 2014, the IASB issued IFRS 15 “Revenue from Contracts with Customers” (“IFRS 15”). The standard replaces IAS 11 “Construction Contracts”, IAS 18 “Revenue”, IFRIC 13 “Customer Loyalty Programmes”, IFRIC 15 “Agreements for the Construction of Real Estate”, IFRIC 18 “Transfer of Assets From Customers” and SIC 31 “Revenue – Barter Transactions Involving Advertising Services”. IFRS 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption. The Company is in the process of determining the impact of IFRS 15 on its consolidated financial statements.

Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 “Financial Instruments” (“IFRS 9”). This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption. IFRS 9 provides a revised model for recognition, measurement and impairment of financial instruments and includes a substantially reformed approach to hedge accounting. The Company is in the process of determining the impact of IFRS 9 on its consolidated financial statements.

Leases

In January 2016, the IASB issued IFRS 16 “Leases” (“IFRS 16”). This standard is effective for annual periods beginning on or after January 1, 2019, and permits early adoption, provided IFRS 15, has been applied, or is applied at the same date as IFRS 16. IFRS 16 requires lessees to recognize assets and liabilities for most leases. The Company is in the process of determining the impact of IFRS 16 on its consolidated financial statements.

Taxes

In January 2016, the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12). The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The Company is in the process of determining the impact of the amendment on its consolidated financial statements.

Critical Accounting Estimates

With the commencement of commercial production at the Aurora Gold Mine on January 1, 2016, the Company has also updated its significant judgements, estimates and assumptions used in the preparation of its financial statements, as follows:

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

consolidated financial statements and the reported amounts of expenses and other income for the reporting period.

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

Development costs and commencement of commercial production:

Mineral properties are comprised of historical costs associated with acquisition, development and construction of mining properties and is stated at historical cost less depletion. Historical cost includes expenditures directly attributable to acquisition and subsequent costs to develop mineral reserves and resources. Such costs are capitalized only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Mineral properties are not subject to depreciation until processing plant construction associated with a mineral property is completed and initial commercial production is achieved. Incidental revenues and operating costs are included in mineral properties prior to the plant achieving commercial production, which occurs when the plant is substantially complete and ready for its intended use. Revenue recognition and depreciation of mineral properties begins when commercial production has been achieved.

There are a number of factors that the Company considers when determining if conditions exist for the commencement of commercial production of an operating mine, including the following judgements:

- Completion of operational commissioning of each major mine and plant component.
- Demonstrated ability to mine and mill consistently and without significant interruption at a pre-determined average rate of design capacity of 75%, composed of both soft and hard rock.
- The passage of a reasonable period of time for testing of all major mine and plant components.
- Gold recoveries are at or near expected production levels.

Impairment of assets:

The Company assesses its cash-generating units annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, an estimate of the recoverable amount is made, which is considered to be the higher of the fair value of the asset less costs of disposal and value in use. The determination of the recoverable amount requires the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and future operating performance.

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

Mineral Reserves and Resources:

The Company estimates its Mineral Reserves and Mineral Resources based on information compiled by qualified persons as defined in accordance with NI 43-101, "Standards of Disclosure for Mineral Projects" issued by the Canadian Securities Administrators. Mineral Reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties.



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

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

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

Units-of-production ("UOP") depreciation:

The Company uses estimated proven and probable mineral reserves as the basis for determining the depreciation of certain mineral properties, plant and equipment. This results in a depreciation charge proportional to the depletion of the anticipated remaining mine life. These calculations require the use of estimates and assumptions, including the amount of proven and probable mineral reserves. Changes in the estimated mineral reserves will result in changes to the depreciation charges over the remaining life of the operation. A decrease in the mineral reserves would increase depreciation expense and this could have a material impact on operating results. The depreciation base is updated on an annual basis based on the new mineral estimates.

Recovery of deferred tax assets:

Judgment is required in determining whether deferred tax assets are recognized on the consolidated balance sheet. Deferred tax assets require management to assess the likelihood that the Company will generate taxable income in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted income from operations and the application of existing local tax laws.

To the extent that future taxable income differs significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded in the consolidated balance sheet could be impacted. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Asset retirement obligations:

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

Inventory valuation:

Inventories are recorded at the lower of cost or net realizable value. The allocation of costs to in-circuit inventory and the determination of net realizable value for all inventories involves the use of estimates. There is a high degree of judgment in estimating future costs, future production levels, contained gold

ounces, gold recovery levels and market prices, including timing and recovery of stockpiled inventory ore, which can vary significantly from the estimates. Actual results can therefore vary significantly from estimates used in the determination of the carrying value of inventories.

Depreciation of equipment:

Assets such as buildings, plant equipment, mobile fleet, and other equipment are depreciated net of residual value, on a straight line basis, over the useful their useful lives. Significant judgment is involved in the determination of useful life and residual values for the computation of depreciation, and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.