GUYANA GOLDFIELDS INC.

MANAGEMENT DISCUSSION AND ANALYSIS

YEARS ENDED DECEMBER 31, 2017 AND 2016

TABLE OF CONTENTS

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following is Management’s Discussion and Analysis (“MD&A”) of the factors management believes are relevant to assessing and understanding the consolidated financial condition and results of operations of Guyana Goldfields Inc. (the “Company”) for the years ended December 31, 2017 and 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 Guyana Goldfield’s audited consolidated financial statements and related notes for the years ended December 31, 2017 and 2016 which are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). This MD&A contains certain forward-looking statements. Refer to the cautionary language at the end of this MD&A.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (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”.

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

Results are reported in United States dollars, unless otherwise noted. Due to rounding, the sum of all the quarters may not add to the annual total and per ounce figures may not calculate based on the amounts presented. Information contained herein is presented as at February 22, 2018 unless otherwise indicated.

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 kilometers 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.

2017 YEAR IN REVIEW

After a successful ramp up in 2016 of the Aurora Gold Mine, 2017 was a year in which the Company continued to demonstrate and build a solid operating track record. Production for 2017 was within the Company's initial guidance range and cost performance for the year confirmed the Aurora Gold Mine's status as a lowest quartile cost producer. The Company continued to invest capital in 2017 with a strategic focus on initiatives that should reduce costs and drive production growth through 2018 and beyond. Exploration continues to ramp up with highly encouraging results from the first ever diamond drill programs at the Iroma and Wynamu greenfield prospects warranting an expanded exploration program in 2018. In addition to these capital investments, the Company also materially reduced its debt throughout the year from $80.0 million to $60.0 million, while still maintaining a very strong capital position with a cash balance at year-end of $75.7 million.

With the exception of a challenging second quarter, the Company had a solid year otherwise in 2017. Gold production totaled 160,500 ounces for the year, within the guidance range of 160,000-180,000 ounces set at the start of the year. Cost of sales (including depreciation and royalty), of $897 per ounce and All-in Sustaining Cost ("AISC") of $846 per ounce were slightly above guidance however these cost results still confirm Aurora's status as a low-cost, high-margin operation. Of particular note, after a weaker second quarter, the Company had a very strong finish to 2017 achieving a record quarter for gold production and operating cash costs in the fourth quarter of the year. Importantly, these solid operating results were achieved while still maintaining the Company's excellent health and safety track record with the Company reaching more than 4 million hours without a lost time injury during the year. The Company also continues to extend its excellent environmental track record and remains focused on enhancing its strong relationships with local communities and the Guyanese government.

The Company continued to invest in its business in 2017 with a focus on generating cost efficiencies and production growth over the near term. Expansion of the Company's mining fleet as well as the purchase of a logistics fleet reduced reliance on third party rentals and translated to an improved cost performance in the second half of the year with unit operating costs as compared to the first half despite the transition out of saprolite material into primarily hard rock mining and processing. Approximately, $13.9 million was invested in the first phase of the mill expansion during the year. The expansion, which should deliver more robust mill performance along with improved recoveries, is currently on budget and on schedule for completion late in the first quarter of 2018.

Exploration activities continued to ramp up in 2017. The initial results at the greenfield prospect Iroma were especially encouraging. Iroma is located 15 km to the north-east of Aurora and is the largest and richest surface anomaly across the Company's total land package. The first ever diamond drilling at this target returned significant mineralized intercepts and confirmed the Iroma prospect is associated with deep seated structures, and brittle, iron rich intrusive rocks, similar to that found at the Aurora mine and a favourable geological host environment. These are the three essential ingredients for the formation of a world class gold deposit and the Company is very excited to see what further exploration activity will reveal in 2018 at this target.

Guyana Goldfields closed out 2017 on an operational high note, achieving record gold production along with record low operating cost metrics. The Company continued to strengthen its balance sheet, ending the year with positive working capital balance of $136.9 million (2016 - $111.4 million), while reducing debt to a remaining principal balance of $60.0 million.

OUTLOOK

2018 Production and Cost Guidance

Gold production (ounces)	190,000-210,000
Cost of sales (production costs, royalty & depreciation) ($ per ounce)	$850-$900
Cash cost[1], excluding royalty ($ per ounce)	$430-$480
AISC[1] ($ per ounce)	$830-$880

Gold production for 2018 is expected to be between 190,000-210,000 ounces. Production is expected to be weighted towards the second half of the year due to mine sequencing and increased throughput to be available with completion of the phase 1 expansion after the first quarter. The 2018 mine plan is primarily made up of all hard rock ore from the central tonalite/diorite ore at Rory's Knoll and East Walcott deposits.

The mine plan does call for a ramp up in the mining rate to approximately 75,000 tonnes per day ("tpd") to accommodate the open pit production profile in years 2019 and beyond. The Company is reviewing strategic bids from contract miners to handle the waste stripping requirements, which is envisioned to be an 18 – 24 month campaign. Contract mining will allow the Company to save on the capital expenditure of a fleet not required beyond this stripping campaign, and based on initial proposals, is suggestive of reduced mine operating unit costs.

The process facility is envisioned to run at an average throughput of 6,500 tpd, which incorporates the first phase of the expansion to be commissioned late in the second quarter, as well as completion of modified Phase 2 expansion. Towards the end of 2017 and in early 2018, the Company trialed increasing mill throughput by supplementing mill feed with material pre-crushed by the operations aggregate plant. The trial demonstrated not only that the mill could accommodate higher throughput rates but also that gold recoveries actually increased with the finer crushed material resulting in more gold recovered through the gravity circuit. Based on these results, the Company has modified its original Phase 2 expansion, to increase hard rock throughput from 5,600 tpd to 7,500 tpd, such that it expects to reduce the capital cost of the expansion from approximately $27.0 million to approximately $6.0 million while still achieving similar increases in throughput and recoveries compared to the original proposed design. The significant capital savings on the second phase are achieved through utilization of a previously purchase modular processing plant.

Operating costs (including depreciation) are expected to be $850-$900 per ounce and all-in sustaining costs of $830-$880 per ounce. These costs are based on an increased stripping rate during 2018, offset by the increased and more cost-efficient production offered by the process plant expansion investments.

Another major initiative for 2018 is the commencement of underground development at Rory's Knoll. The Company released the results of an updated feasibility study on February 20, 2018, that showed there was a clear economic benefit to selectively targeting higher grade zones through longhole stoping concurrent with open pit mining at Rory's Knoll before switching to sub-level caving once the open pit has been depleted. This approach will bring forward high-grade material in the life-of-mine plan while the underground ramp will also provide an ideal exploration platform to potentially expand and upgrade the underground resource at Aurora.

With the mill expansion and acceleration of underground mining, the Company is expecting to deliver significant production growth over the medium term; from 160,500 ounces in 2017 to an average of over 270,000 ounces for the next five years. It should also be noted that after a solid 2017, the Company is in a very strong financial position to advance these initiatives with a positive working capital balance of $136.9 million at the end of the year. As we head into 2018, the Company is looking forward to advancing these initiatives through the course of the year while still remaining committed to further drilling at our highly prospective exploration targets as well as staying focused on maintaining the operating momentum displayed toward the end of 2017.

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

2017 FOURTH QUARTER HIGHLIGHTS

- Record gold production of 48,900 ounces.
- Operating costs (including depreciation and royalty) of $752 per ounce, operating cash costs[1] of $433 per ounce and all-in sustaining costs[1] of $665 per ounce; all significant decreases compared to the prior quarter.
- Trial results from supplementing mill feed with pre-crushed ore confirmed higher throughputs and recoveries can be achieved with minor plant modifications.
- Multiple mineralized intercepts from first ever diamond drill programs at the Iroma and Wynamu greenfields prospects

2017 FULL YEAR HIGHLIGHTS

- 160,500 ounces produced, within full year production guidance range
- The Company's balance sheet continues to strengthen with a year-end closing cash balance of $75.7 million and marketable security fair value of $41.1 million versus a debt balance of $60.0 million
- Full year cash generated from operations of $66.5 million.
- Significant capital investments made through the first three quarters of 2017 are paying dividends through reduced operating costs. The mining fleets, bulk emulsion delivery system, and logistics haulage fleet are now all commissioned and in-country, with significant operating costs savings, as evidenced in the third and fourth quarters.

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

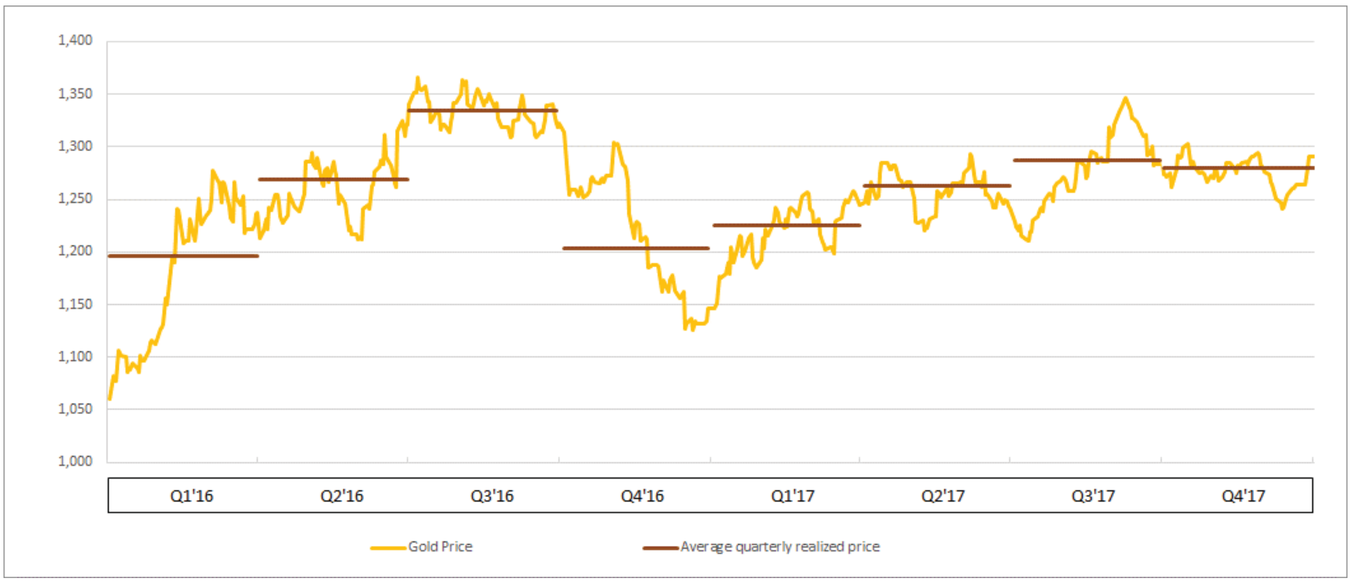
		Three Months ended December 31,			Years ending December 31,	
		2017	**2016**		**2017**	**2016**
Ounces produced		**48,900**	43,800		**160,500**	151,600
Ounces sold		**48,000**	45,500		**157,700**	156,000
Revenues	$	**61,417**	54,809	$	**199,480**	194,153
Earnings from mine operations	$	**25,341**	20,673	$	**58,197**	71,099
Earnings before tax	$	**21,536**	9,379	$	**39,440**	44,462
Net earnings	$	**14,339**	3,405	$	**26,994**	26,985
Net earnings per diluted share	$	**0.08**	0.02	$	**0.15**	0.16
Comprehensive income	$	**9,785**	14,215	$	**33,275**	47,683
Cash flow from operating activities	$	**30,916**	23,267	$	**66,505**	85,713
Cash and cash equivalents	$	**75,275**	73,151	$	**75,725**	73,151
Restricted cash	$	**2,191**	1,184	$	**2,193**	1,184
Debt	$	**60,000**	80,000	$	**60,000**	80,000
Total Assets	$	**472,016**	438,835	$	**472,016**	438,835
Realized gold price per ounce	$	**1,280**	1,204	$	**1,265**	1,245
Cost of sales per ounce	$	**752**	750	$	**897**	789
Cash costs per ounce before royalty[1]	$	**433**	446	$	**556**	496
All-in sustaining costs per ounce [1]	$	**665**	678	$	**846**	738

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

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 over the last eight quarters based on the London Bullion Market Association PM Fix is summarized in the chart below. The gold price averaged $1,280 per ounce for the fourth quarter of 2017, slightly lower than the gold price in the prior quarter. Subsequent to December 31, 2017, the price of gold has primarily been in a trading range between $1,290 per ounce and $1,355 per ounce. The Company has not entered into any gold hedging programs.



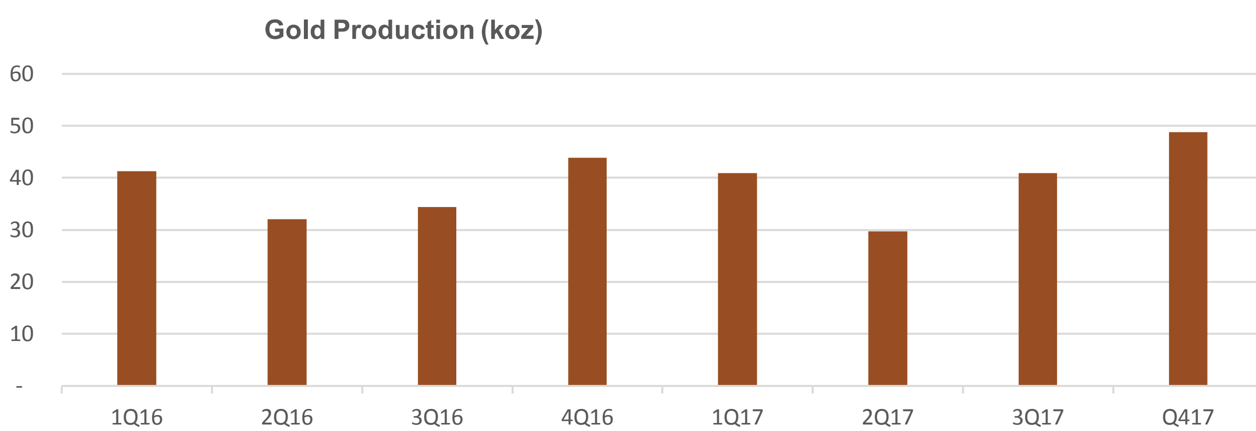
Other key performance drivers include production volumes and costs which are further discussed below.

MINE OPERATING RESULTS

KEY OPERATING STATISTICS

		Three Months ended December 31,		Years ending December 31,	
		2017	2016	2017	2016
Ore mined	*tonnes ('000s)*	**715**	688	**2,413**	2,507
Waste mined	*tonnes ('000s)*	**1,596**	1,900	**10,030**	5,701
Total Mined	*tonnes ('000s)*	**2,311**	2,588	**12,443**	8,208
Strip ratio	*waste:ore*	**2.2**	2.8	**4.2**	2.3
Tonnes mined per day	*tpd*	**25,100**	28,100	**34,100**	22,400
Ore processed	*tonnes ('000s)*	**553**	508	**2,239**	1,889
Tonnes processed per day	*tpd*	**6,000**	5,500	**6,100**	5,200
Head grade	*g/t Au*	**2.90**	2.94	**2.46**	2.74
Recovery	*%*	**91.7**	90.6	**89.7**	90.2
Mill utilization	*%*	**90.6**	87.3	**91.5**	89.1
Gold Produced	*Ounces*	**48,900**	43,800	**160,500**	151,600
Gold Sold	*Ounces*	**48,000**	45,500	**157,700**	156,000
Average Realized Gold Price	*$/ounce*	**1,280**	1,204	**1,265**	1,245

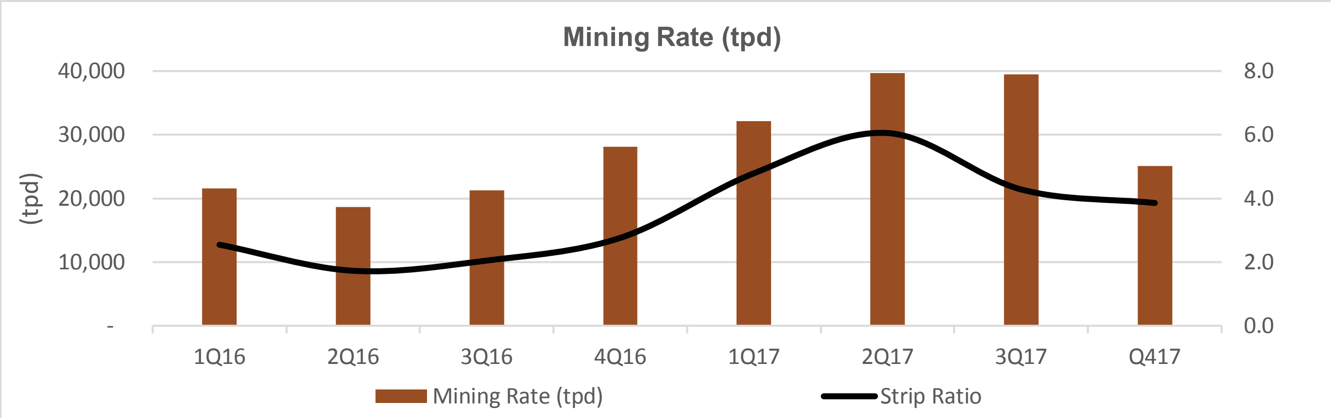
GOLD PRODUCTION



The Company completed the year with its strongest quarter since commencement of operations, producing 48,900 ounces. The record quarter was a result of grade delivery from the mine, as per the mine plan, combined with higher throughputs from the process plant, which averaged 6,000 tonnes per day.

On a full year basis, the Company produced 160,500 ounces, an increase of 8,900 ounces compared to gold production for the prior year. The increase was mainly attributable to higher throughput, partially offset by lower grades and lower recoveries, largely due to a weaker second quarter as previously discussed.

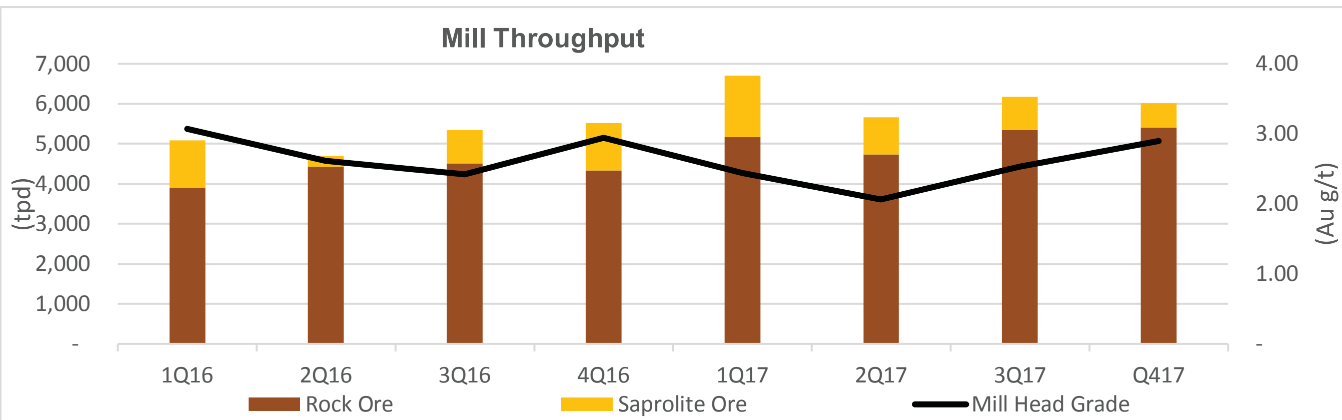
MINING ACTIVITIES



The daily average mining rate declined in the fourth quarter to 25,100 tpd, a factor of being ore bound in the core of Rory's Knoll diorite/tonalite deposit, hence requiring significantly reduced stripping. The fourth quarter stripping ratio was 2.2:1 as compared to 4.3:1 in the third quarter.

On a full year basis, the daily mining rate averaged 34,100 tpd, a significant increase compared to an average of 22,400 tpd in 2016. The higher mining rates were required to accommodate an increase in the strip ratio, which was to 4.2:1 for the year, compared to 2.3 :1 for the prior year.

PROCESSING ACTIVITIES



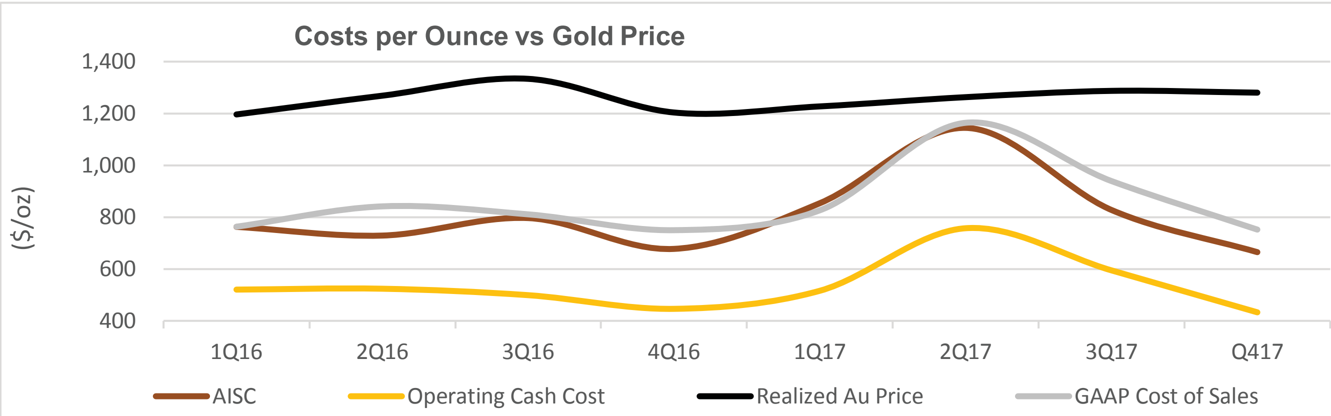
The mill processed 552,600 tonnes or 6,000 tpd in the fourth quarter. Throughput was higher than budgeted levels and up from the comparative quarter in the prior year, largely a result of mill optimizations and increased utilization. Throughput declined slightly from the prior quarter, due to a decrease in saprolite feed, as well as scheduled downtime for a full SAG mill liner change.

The mill head grade was higher at 2.9 grams of gold per tonne of ore ("g/t Au") in the most recent quarter compared to both the prior quarter and comparable to the fourth quarter in 2016. Gold recoveries of 90.4% edged higher this quarter when compared to recoveries of 90.0% in the prior quarter and comparable to the 90.6% recovery rate in the fourth quarter last year. The improvement relative to the prior quarter can be attributed to bulk testing of pre-crush material, which resulted in both increased recovery and throughputs.

For the full year, the mill processed an average of 6,100 tpd, a significant increase compared to an average of 5,200 tpd in the prior year. The increase can be mainly attributable to improved operating efficiencies, capital investment in plant infrastructure, as well as a higher proportion of saprolite being fed to the mill during the first half of 2017. The mill head grade averaged 2.46 g/t Au for the current year, as compared to on a year-to-date basis compared to 2.74 g/t Au in the prior year. The decrease in head grade can be mostly attributed to the grade of stockpiled ore being fed to the mill during the second quarter being lower than expected in the second quarter of 2017, as previously discussed.

As at December 31, 2017, there were approximately 2,800 contained ounces of gold in circuit with an additional 5,500 ounces in doré inventory ready to be refined.

COST OF SALES, CASH COSTS[1] & ALL-IN SUSTAINING COST[1]



Cost of sales (including depreciation & royalties) was $752 per ounce in the fourth quarter of 2017 compared to $750 per ounce for the comparable quarter in 2016. This corresponds to a cash cost[1] of $433 per ounce of gold sold, a decrease from $595 per ounce in the prior quarter and a decrease from $446 per ounce in the comparable quarter in 2016. The decrease in costs on a per ounce basis when compared to the prior quarter were largely attributable to higher grades and lower strip ratio due to mine sequencing while the decrease in costs compared to the comparable quarter in 2016 was mainly due to increase in mill throughput, with similar grade and recovery, resulting in increased production and sales in the current quarter.

AISC[1] for the quarter came in at $665 per ounce which was down from $828 per ounce in the prior quarter and down from $678 per ounce in the fourth quarter of last year. The decrease in AISC[1] compared to the prior quarter can be attributed to the higher gold ounces produced and sold, as previously discussed, as well as lower deferred stripping costs compared to the prior quarter – see the mining discussion above. The decrease from the comparable quarter in prior year is attributable to higher production.

For the full year, cost of sales (including depreciation & royalties) was $897 per ounce compared to $789 per ounce for the prior year and operating cash costs[1] came in at $556 per ounce compared to $496 per ounce for prior year. The increase in operating costs is primarily attributable to additional depreciation taken in current year, driven by higher depreciable asset base. Cash costs[1] increased primarily due to the Company's weaker second quarter in 2017 as previously discussed. AISC[1] on a year-to-date was $846 per ounce compared to $738 per ounce in 2016. The increase was due to higher operating costs as well as higher deferred stripping costs of approximately $60 per ounce compared to the corresponding period last year.

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

FOURTH QUARTER AND FULL YEAR 2017 FINANCIAL RESULTS

KEY FINANCIAL STATISTICS

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

	Three months ending December 31,				Years ending December 31,					
		2017		2016		2017		2016		2015
Revenue	$	**61,417**	$	54,809	$	**199,480**	$	194,153	$	-
Earnings (loss) from mine Operations	$	**25,340**	$	20,673	$	**58,197**	$	71,099	$	-
Net Income	$	**14,012**	$	3,405	$	**26,994**	$	26,985	$	20,063
Comprehensive income	$	**9,460**	$	14,215	$	**33,275**	$	47,683	$	20,063
Net earnings per share (EPS)										
Basic	$	**0.08**	$	0.02	$	**0.16**	$	0.17	$	0.13
Diluted	$	**0.08**	$	0.01	$	**0.15**	$	0.16	$	0.13
Total assets	$	**472,016**	$	438,835	$	**472,016**	$	438,835	$	367,391
Total debt	$	**60,000**	$	80,000	$	**60,000**	$	80,000	$	155,660
Total non-current liabilities	$	**61,107**		68,068	$	**61,107**	$	68,068	$	121,711
Cash flow from operations	$	**30,022**	$	25,490	$	**66,505**	$	85,713	$	(4,927)
Cost of sales per ounce	$	**752**	$	750	$	**897**	$	789	$	-
Cash costs per ounce before royalty	$	**433**	$	446	$	**556**	$	496	$	-
All-in sustaining cost per ounce	$	**665**	$	678	$	**846**	$	738	$	-

REVENUE – METAL SALES

During the fourth quarter of 2017, the Company sold 48,000 ounces of gold (2016 – 45,500 ounces) at an average realized price of $1,280 per ounce (2016 - $1,204 per ounce). Revenue for the quarter ended December 31, 2017 was $61.4 million, an increase of $6.6 million compared to the fourth quarter of 2016 ($54.8 million). The increase was due to more gold ounces sold ($3.1 million) resulting from higher mill throughput rates during the current quarter, combined with higher realized gold price ($3.5 million). See "Mine Operating Results" for further discussion of mining and processing activities.

On a year-to-date basis, the Company sold 157,700 ounces of gold (2016 – 156,000 ounces) at an average realized price of $1,265 per ounce (2016 - $1,245 per ounce). Revenue for the corresponding period was $199.5 million, an increase of $5.4 million from the prior year ($194.2 million). The increase was due to more ounces sold ($2.2 million) combined with an increase in the average realized selling price ($3.2 million).

As the Company only commenced commercial production on January 1, 2016, there were no revenues reported in the year 2015.

COST OF SALES

Cost of sales is comprised of royalties, depreciation associated with mining activities and production costs.

Cost of sales for the fourth quarter of 2017 was $36.1 million, an increase of $2.0 million in comparison to the comparable period in 2016 ($34.1 million). The increase in cost of sales was due to the higher overall ounces sold during the current quarter ($1.9 million). On a per ounce of gold sold basis, cost of sales was similar across both quarters at $752 for the current quarter (2016 - $750). See "Mine Operating Results" for further discussion on cost of sales.

For the full year 2017 cost of sales was $141.3 million, an increase of $18.4 million in comparison to the prior year ($122.9 million). The increase was mainly due to higher per unit costs of sales ($16.9 million). On a per ounce of gold sold basis cost of sales was $897 for 2017 (2016 - $789). The increase on the year over basis is primarily driven by increased production costs and increased depreciation on larger depreciable asset base.

In 2015 the Company was still in development, as such had no revenues and no corresponding cost of sales.

CORPORATE GENERAL & ADMINISTRATIVE EXPENSES

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

Corporate general and administrative expenses of $3.9 million for the three months ended December 31, 2017, was higher than the $1.6 million reported for the three months ended December 31, 2016. On a year-to-date basis, corporate, general and administrative expenses of $12.1 million were $4.5 million higher in comparison prior year. The increase was attributable to higher portion of executive compensation in the prior year taken as stock based compensation, which begun amortizing in the current year. In addition, the first quarter of comparable period reflected greater corporate management involvement in the operations during start-up and transition from development into commercial production, as such was attributed to production costs.

EXPLORATION AND EVALUATION EXPENSES

There was an increase in greenfield and brownfield exploration expenditures in the current quarter totaling $1.1M (2016 - $0.5 million) and year to date expenditure totaling $4.6 million (2016 – $1.4 million), respectively. The increase reflects a ramp up of exploration efforts in the current quarter, as planned. For further details refer to the “Exploration Activities” section below.

NET FINANCE EXPENSE

The net finance income of $1.1 million for the quarter ended December 31, 2017 increased by $10.3 million from comparable quarter prior year (Q4 2016 – net finance expense of $9.2 million). The decrease in expense was primarily due to write-off of deferred financing fees as a result of restructuring the loan ($7.9 million) in prior quarter, reduction of interest as a result of lower principal outstanding on Debt Facility ($1.0 million), and increase in unrealized gain on derivative instruments ($1.1 million).

For the full year 2017, net finance expense was $2.1 million, a decrease of $15.6 million compared to $17.7 million reported in 2016. In addition to the items described in the fourth quarter above, the decrease was primarily due to a lower interest expense ($5.0 million) resulting from lower long-term debt balances during 2017 in comparison to 2016. On December 23, 2016, the Company renegotiated its debt facility with its senior lenders, paying down the outstanding principal to $80 million, as further described below.

TAX EXPENSE

Tax expense for the fourth quarter of 2017 was $7.5 million, an increase of $1.5 million in comparison to $6.0 million reported in the fourth quarter of 2016.

Tax expense for the year ended December 31, 2017 was $12.5 million, which comprised of deferred tax expense of $13.6 million on current year net earnings offset by a deferred tax recovery of $1.1 million on deferred tax recovery recognized on the taxable gain on the fair value increase on the available for sale investment. The decrease of $5.0 million in comparison to the prior year was primarily due to lower taxable earnings, lower corporate tax rate in Guyana (2017 - 27.5%, 2016 - 30%) and the deferred income tax benefit recognized during the year relates to previously unrecognized deferred tax assets that have now been recognized as a result of the deferred tax on the available for sale investment through other comprehensive income. The unrealized gains on available for sale securities has now been determined that sufficient taxable profits should be available to utilize the recognized tax losses.

NET EARNINGS

Net earnings for the fourth quarter of 2017 amounted to $14.0 million ($0.08 earnings per diluted share), an increase of $10.6 million in comparison to net earnings of $3.4 million ($0.02 earnings per diluted share) for the comparable quarter of 2016.

On a full year basis, net earnings of $27.0 million ($0.15 earnings per diluted share) is consistent with prior year net earnings ($0.16 earnings per diluted share).

In 2015 as the Company completed the development with reasonable expectation that it would commence commercial productions in January 1, 2016, the Company recognized a deferred tax recovery of $28.9 million, which was the driver of the company reporting net earnings in that year.

COMPREHENSIVE INCOME

The Company reported a comprehensive income of $9.5 million in the current quarter (2016 - $14.2 million). The difference between Net Earnings and Comprehensive Income for the current quarter is attributable to a $4.5 million mark to market unrealized loss (net of tax) on the Company's available for sale investment (see "Liquidity and Capital Resources" for more details) (2016 - $10.8 million unrealized gain).

For the full year 2017, the Company reported a comprehensive income of $33.3 million (2016 - $47.7 million). The difference between Net Earnings and Comprehensive Income for the current year is attributable to a $6.3 million unrealized gain (net of tax) on the available for sale investment (2016 - $20.7 million).

In 2015 the Company did not have any other comprehensive income items, which is why comprehensive and net earnings reported were the same.

EXPLORATION ACTIVITIES

Brownfield Targets

Brownfields has continued to focus exploring the higher-grade shoots located beneath the Mad Kiss and Aleck Hill deposits and target generation beneath East Walcott. A small orientation magnetic survey was conducted over Swamp Vein, with interpretation of results pending. Mapping work of other brownfield targets within proximity to the Aurora mill to define drill targets is currently ongoing.

Greenfield Targets

IROMA

The Iroma prospect is located 15 km northeast of the Aurora Gold Mine. Gold mineralization is associated with north-northwest trending shear zones along an extensive 8.5km central zone of anomalous gold. Five coherent gold zones have been delineated along this northwest trending corridor. In 2017, a drill program initially focused on follow up work to test in bedrock significant results of saprolite drilling completed in 2013 (best results of 9 meters @ 2.28 g/t Au including 3 meters @ 8.17 g/t Au). Nine holes have been completed to date totaling 2,000 meters of drilling.

Assay results have been received for seven out of the nine holes drilled to date. Drill hole IRD-001 returned gold grades of 1.04 g/t Au over 14 meters with a higher-grade interval 1.90 g/t Au over 4 meters. Drill hole IRD-002, drilled 40 meters to the southeast of IRD-001, returned 1.01 g/t Au over 26 meters including higher grade intervals of 2.47 g/t Au over 7 meters and 3.69 g/t Au over 2 meters.

Drilling has intersected several broad zones of intense silica-ankerite-pyrite alteration. Gold mineralization is hosted in altered intermediate intrusives (quartz diorite) with minor quartz porphyries and felsic dikes. Several broad zones of pyritic shear zones were intersected both in drill testing and surface trenching. The shear zone is open laterally to the northwest and southeast of the current drilling area.

Drilling will continue to test the mineralized zones laterally and at depth. A drill rig road is currently being pushed towards Areas 2 and 3 along the 8.5km gold anomalous zone that will be drill tested.

WYNAMU

The Wynamu prospect is located 40km northeast of Aurora. A shallow diamond drill program commenced in 2017 to test significant gold-in-soil anomalies and trench sampling with best results of 58 meters @ 1.21 g/t Au. Four drill holes have been completed totaling 500 meters.

Assay results have been received for all holes with drill hole WYD-01 returning gold grades of 2.67 g/t Au over 12 meters including higher grade intervals of 6.08 g/t Au over 5 meters and 11.73 g/t Au over 2.5 meters.

Drilling results indicate two major lithologies – undifferentiated mafic volcanics and diorite. Mineralization is associated with weak to moderately altered mafic volcanics. Alteration consists of pervasive chlorite and ankerite. Pyrite mineralization is generally weak and occurs as fine to coarse grained disseminations.

Drill testing will continue towards the northeast of the drilled area to test anomalous gold in soils and trenches.

ARANGOY

The Arangoy prospect is located approximately 10 km to the northwest of the Sulphur Rose gold deposit which has a total gold resource of 566,830 ounces (277,580 ounces at 1.04 g/t Au in the measured & indicated category and 289,250 ounces at 1.42 g/t Au in the inferred category). Soil sampling conducted within the vicinity of the greenstone and intrusive lithological contact indicated a large and coherent gold anomaly in soils measuring roughly 1km by 0.5km. A trenching and drilling program is currently being planned to test the gold anomaly. Mobilization of resources to Arangoy will commence in the second half of February.

CAPITAL INVESTMENT UPDATES

On February 2, 2017, the Company issued a feasibility study entitled “Independent Technical Report Updated Feasibility Study, Aurora Gold Mine Project” with an effective date of December 31, 2016 (the “2017 Feasibility Study”), that reflected an expansion of the current processing facility from 5,600 tpd to 8,000 tpd based on a two-phased approach.

On February 20, 2018 the Company released an update on this study (the “2018 Optimized Life of Mine”) (“LOM”) which provides for smoother life-of-mine production and cost profiles while reducing overall capital, operating costs and further improving cash flows. Key metrics from the optimization as compared to the previously presented study are outlined in the following table:

	2018 Optimized LOM	2017 Feasibility Study*
Dated	February 20, 2018	February 2, 2017
Economic Assumptions		
Gold price (US$/oz)	$1,200	$1,200
Electricity ($/kWh)	0.14	0.14
Diesel price (US$/L)	0.55	0.55
Income tax rate (%)	27.5	27.5
Net smelter royalty (%)	8.0	8.0
Mine Parameters		
Open Pit		
Total mined (Mt)	188.4	172.0
Ore mined (Mt)	19.0	17.1
Average grade (g/t)	2.74	2.91
Ounces mined (Moz)	1.7	1.6
Strip ratio	8.9	9.0
Underground		
Ore mined (Mt)	23.1	16.5
Average grade (g/t)	3.04	3.19
Ounces mined (Moz)	2.3	1.7
Processing		
Ore milled (Mt)	43.0	34.7
Average grade (g/t)	2.87	3.00
Gold recovery (%)	94.8	93.8
Total gold recovered (Moz)	3.8	3.1
Mine life (years)	16	14
Average annual production 2018-2020 (koz)	270	242
Average annual production LOM (koz)	235	223
Financials		
Operating cash cost (US$/oz)	531	517
Operating cash cost (incl. royalty) (US$/oz)	627	613
AISC (US$/oz)	797	745
Pre-tax NPV (5%) ($mlns)	1,142	1,035
Post tax NPV (5%) ($mlns)	898	821

*Adjusted 2017 Feasibility Study to start 2018

The Optimized LOM plan was prepared by the Company with contributions from JDS Energy & Mining ("JDS") and has an effective date of December 31, 2017.

Further details of the 2017 Feasibility Study are available on SEDAR at www.sedar.com and on the Company's Website. The 2018 Optimized LOM Plan details are on the Company's website.

FINANCING

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, totaled $97.8 million and were expected to be used to fund the expansion of the Aurora Gold Mine that is anticipated to increase capacity from 5,600 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 of 2016. For the first phase of the mill expansion, the 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 $2.5 million year-to-date were relatively modest, however investment in exploration is expected to increase through the remainder of the year and through 2018.

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.

During the third and fourth quarters of 2016, the Company invested a total of $10 million in a private placement of SolGold PLC ("SolGold"). The fair market value of the Company's investment in SolGold as at the date of this MD&A was $30.3 million. SolGold is listed on the Main Market of the London Stock Exchange (LSE) and the Toronto Stock Exchange (TSX) under the ticker symbol SOLG.

FINANCIAL CONDITION

	As at December 31,			
(in thousands of dollars)		**2017**		**2016**
Current assets	**$**	**166,845**	$	145,366
Non-current assets		**305,171**		293,469
Total assets	**$**	**472,016**	$	438,835
Current liabilities	**$**	**29,923**	$	33,923
Non-current liabilities		**61,107**		68,068
Total liabilities		**91,030**		101,991
Shareholders' equity		**380,986**		336,844
Total liabilities and equity	**$**	**472,016**	$	438,835

The financial condition of the Company remains very strong with a positive working capital balance of $136.9 million as at December 31, 2017. Current assets have increased by $21.5 million year to date to $166.8 million.

This increase can be attributed to both an increase in inventory of $12.0 million, as well as an $10.4 million increase in value in the Company's SolGold investment during the current year, offset by a decrease in deposits with suppliers by $6.2 million. There was a modest decrease of $4.0 million in current liabilities during the current year to $29.9 million driven by a reduction in accounts payable and accrued liabilities.

The most significant liability on the Company's balance sheet was the Company's 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 amounted 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, 2017, $60 million of principal was outstanding under the New Facility (current portion of $20 million and non-current portion of $40 million) with the Company having made $20 million of principal repayments during the year ended December 31, 2017.

Shareholders' equity has increased by $44.1 million year-to-date to $381.0 million, and the increase in the in fair value of the SolGold investment, as well as earnings net income.

LIQUIDITY & CAPITAL RESOURCES

The Company finished the quarter with a cash balance of $75.7 million. This strong cash position provides the Company with ample capacity to meet its most significant near-term liquidity requirements which consist of capital and operating purchase commitments of $26.0 million and scheduled principal debt repayments of $20.0 million over the next 12 months.

Operating Cash Flows

After working capital adjustments, the Company generated $30.0 million of operating cash flow during the fourth quarter compared to $25.5 million of operating cash flow in the corresponding period last year. For the year ended December 31, 2017 the Company generated operating cash flow of $66.5 million compared to $85.7 million for the year ended 2016. The decrease in the year to date cash flow is primarily attributable to the higher operating cash costs[1] due to mine sequencing and movement into fresh rock mining.

Financing Activities

For the fourth quarter of 2017, total cash from financing activities was an outflow of $5.9 million compared to an outflow of $58.9 million in the fourth quarter of 2016. The difference in cash flows is a result of the debt restructuring in the fourth quarter of 2016, which saw pay down of principal by $55.7 million.

Full year 2017 cash from financing activities was an outflow of $19.7 million compared to an inflow of $17.4 million for the full year 2016. The decrease of $37.1 million in cash inflows from prior year is primarily a result of the debt

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

restructure described above, offset by net proceeds from prospectus offering of $96.2 million which closed in the third quarter of 2016.

Investing Activities

Cash from investing activities was an outflow of $12.6 million for the fourth quarter, which consisted of $11.6 million in capital investment, and $1 million funding of a mine closure account as required by the New Facility. Cash outflow from investing activities for the fourth quarter of 2017 was $14.3 million higher compared $1.7 million of cash inflows for the fourth quarter in 2016 due to inflows of $22.0 million of restricted cash released on negotiation of Facility, offset by outflow on $3.5 million investment in SolGold and $3.6 million of expenditures on property, plant and equipment.

For the full year 2017, cash from investing activities was an outflow of $44.3 million compared to an outflow of $42.7 million in the prior year.

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 $90.2 million for purchase obligations, contractual commitments and operating leases, as follows:

		Total		2018		2019		2020		There-after
Debt principal repayments	$	**60,000**	$	20,000	$	20,000	$	20,000	$	-
Mine closure funding		**3,000**		1,000		1,000		1,000		-
Capital purchase commitments		**7,362**		7,362		-		-		-
Operating purchase commitments		**18,615**		18,615						
Operating leases		**1,250**		436		436		243		135
Total Commitments as at December 31, 2017	**$**	**90,227**	**$**	**47,413**	**$**	21,436	**$**	21,243	**$**	**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, 2017:

Year		Contracted operating expenses	Number of litres hedged		Average rate per litre (US cents/litre)
2018		5,888	14,400,000		0.41
2019		8,104	18,000,000		0.45
2020		2,700	6,000,000		0.45
Total	**$**	**16,692**	**38,400,000**	**$**	**0.43**

The diesel commodity swap forward contracts are secured under the New 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:

		December 31, 2017		December 31, 2016
Derivative asset, current	$	1,535	$	68
Derivative asset, non-current		1,334		1,025
Fair market value	$	**2,869**	$	1,093

SUMMARY OF QUARTERLY FINANCIAL RESULTS

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

		2017				2016			
		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Gold ounces produced		48,900	41,000	29,700	40,900	43,800	34,400	32,000	41,300
Gold ounces sold		48,000	39,000	30,000	40,700	45,500	33,300	36,600	40,500
Metal sales [A]	$	61,417	50,207	37,899	49,957	54,809	44,403	46,411	48,530
Cost of sales									
Production costs		20,767	23,195	22,726	21,003	20,320	16,615	19,167	21,284
Royalty		4,898	4,005	3,024	3,984	4,374	3,540	3,701	3,869
Depreciation		10,412	9,433	9,183	8,653	9,442	6,841	7,924	5,977
Total cost of sales	$	36,077	36,633	34,933	33,640	34,136	26,996	30,792	31,130
Earnings from mine operations		25,340	13,574	2,966	16,317	20,673	17,407	15,619	17,400
Net expenses [B]		4,789	3,700	4,335	3,883	2,064	2,630	2,464	1,798
Net finance expense (income)		(1,008)	(639)	1,654	2,043	9,231	2,835	1,508	4,107
Deferred tax expense		7,523	4,364	106	453	5,973	3,021	4,005	4,478
Net earnings (loss)	$	14,036	6,149	(3,129)	9,938	3,405	8,921	7,642	7,017
Earnings (loss) per share:									
Basic	$	0.08	0.04	(0.02)	0.06	0.02	0.05	0.05	0.05
Diluted	$	0.07	0.04	(0.02)	0.06	0.02	0.05	0.05	0.04

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 totaled 173,092,465. Options outstanding amounted to 6,315,848 at the date of this MD&A, each of which is exercisable to acquire one Common Share in accordance with the terms thereof.

NON-IFRS[1] 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 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, 2017 consolidated interim statements of operations and comprehensive income (loss).

		Three Months ending December 31,				Years ending December 31,		
		2017		2016		2017		2016
Production costs (Cash costs)	$	20,766	$	20,320	$	87,691	$	77,386
Divided by: Gold ounces sold		48,000		45,500		157,700		156,000
Total cash costs per ounce -before royalty	**$**	**433**	**$**	**446**	**$**	**556**	**$**	**496**
Cash costs – above	$	20,766	$	20,320	$	87,691	$	77,386
Add royalty costs		4,899		4,374		15,911		15,484
Total cash costs		25,665		24,694		103,602		92,870
Divided by: Gold ounces sold		48,000		45,500		157,700		156,000
Total cash costs per ounce	**$**	**534**	**$**	**542**	**$**	**656**	**$**	**595**
Revenues – metal sales	$	61,417	$	54,809	$	199,480	$	194,153
Production costs		20,766		20,320		87,691		77,386
Royalty		4,899		4,374		15,911		15,484

[1] IFRS – International Financial Reporting Standards

Operating profit	$ 35,752	$ 30,115	$ 95,878	$ 101,283
Divided by: Gold ounces sold	48,000	45,500	157,700	156,000
Operating profit per ounce	$ **745**	$ **661**	$ **608**	$ **649**
Operating profit margin	**58%**	**55%**	**48%**	**52%**

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 (defined as brownfields exploration on the Company's Mining Licence), reclamation cost accretion, sustaining capital including deferred stripping (defined in further detail below), 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, 2017 consolidated financial statements.

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

	Three months ending December 31,		Years ending December 31,	
	2017	**2016**	**2017**	**2016**
Total cash costs – as above	$ 25,665	$ 24,694	$ 103,602	$ 92,870
Sustaining capital [(1)]	2,053	3,924	15,567	12,435
Corporate general and administrative expenses	3,838	1,538	12,097	7,558
Exploration and evaluation costs (sustaining)	352	524	1,881	1,398
Asset retirement obligation –accretion[2]	15	15	61	56
Realized (gain) loss on diesel forward contracts[2]	(23)	168	390	1,053
All-in sustaining costs	$ 31,900	$ 30,863	$ 133,598	$ 115,370
Divided by: Gold ounces sold	48,000	45,500	157,700	156,000
All-in sustaining costs per ounce	**$ 665**	**$ 678**	**$ 846**	**$ 738**

(1) *Sustaining capital is defined as all capital expenditures which do not result in a material increase in gold production and/or cash flow and exclude all expenditures at growth projects.*

(2) *Included in net finance expense in the consolidated interim statements of operations and comprehensive income (loss) – See Note 18 to the consolidated financial statements for the years ended December 31, 2017 and 2016*

Operating cash flow per diluted share

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

	Three months ending December 31,		Years ending December 31,	
	2017	2016	2017	2016
Operating cash flow	$ 30,135	$ 23,530	$ 66,505	$ 85,713
Diluted weighted average number of common shares outstanding	174,313,960	173,492,324	174,900,453	164,318,183
Operating cash flow per diluted share	$ 0.17	$ 0.14	$ 0.38	$ 0.52

ADDITIONAL IFRS 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.

LICENCING 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 greenfield project where no previous mining history and experiences with the rock mass behaviour and response to mining conditions have been tested. Those risks are stemming from the limitations of drill hole based on geotechnical and structural data and residual uncertainty in selected base case parameters. In such cases, it is important to assess potential ranges of outcomes and apply both empirical and numerical methods of rock mass strength and stress evaluation and conduct sensitivity analyses to understand the consequences of potential deviation from the base case. Third party consultants followed such process in respect of their work for the Company.

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 January 29, 2013, the Company filed on SEDAR its updated feasibility study dated January 29, 2013, entitled "NI 43-101 Technical Report Updated Feasibility Study – Aurora Gold Project" (the "January 2013 Report"), as prepared by Messrs. D. Erik Spiller and Richard Tocher of Tetra Tech (Colorado) ("Tetra Tech"), Glen Cole and Jarek Jakubec of SRK, and John Lambert of Environ International Corporation, in which a third party consultant concluded that the Company has implemented adequate drilling programs to obtain the necessary geotechnical information for such report. It was further noted that additional drilling to better define the character of the shear zones and further geotechnical drilling would not materially improve the current knowledge.

Despite the satisfactory drilling program at the Aurora Gold Mine, it was noted in the January 2013 Report that two major geotechnical uncertainties exist that could potentially require mine operational adjustments, as follows:

- In-situ stress tests have not been conducted at site and there are no publicly available in-situ stress results within a reasonable distance from the project site. Numerical analyses have been conducted to test the sensitivity to in-situ stress in order to understand the consequences of the deviation from selected base case values. In-situ stresses of different magnitude or direction may have an effect on the zone of mining induced stress around the underground operation. However, it was concluded that such change within the reasonable possible range of magnitude and/or direction would not result in a fatal flaw of the mining method and plan, but would potentially increase sloughing of the stope wall. Since the sub-level retreat ("SLR") method can tolerate limited stope wall instability, a third-party consultant has concluded that such conditions would not require a change of the mining method. The sensitivity analyses indicated that it is unlikely that stress changes within a reasonable range of magnitude or direction could result in uncontrollable collapse of the stope walls. It is also important to understand that even if such an unlikely situation would occur, the monitoring program would provide an early warning of changing conditions and mitigation measures; such as waste backfilling of the SLR stope excavation could be implemented and SLR mining would change to sublevel "caving"; and
- the presence of unknown large scale structures. A third-party consultant has concluded that with the amount of drilling and hydrogeological testing it is highly unlikely that any unknown structures would cause a major impact on the mining plan. Again, such structures would most likely be discovered during the early stages of the overburden stripping and would not come as unexpected surprises throughout the underground development, hence mitigation measures in terms of grouting and increasing pumping or storage capacity would be available.

The open pit design criterion at the Aurora Gold Mine is currently based on the previous geotechnical domains. The updated geological and geomechanical domains include the sericite shear band, which has a distinct strong foliation in which rock breakage occurs. These shear zones will need to be incorporated into an updated open pit design. Although the strongly foliated rock may present some risk in terms of toppling behaviour within the north pit wall at Rory's Knoll, third party consultants have indicated that the sub vertical nature and limited extent in the pit wall should not have a material impact on the operation.

In the January 2016 Report, it is noted that due to foliation angle and orientation, the potential for additional dilution and localized pit wall failure can be addressed through additional stability analysis of the southwest wall conducted upon the collection of more data.

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.

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 noncompliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect 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 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 3540% 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.

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.

INDEBTEDNESS AND INABILITY TO SATISFY REPAYMENT OBLIGATIONS

Although the Company has been successful in making its scheduled principal debt repayments under the Loan 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 Loan 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 Loan Facility and meet its other obligations. If cash flow from operations are insufficient or if there is a contravention of its Loan 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 Loan 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.

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

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; production and cost guidance for 2018; success of exploration and development activities; timing and anticipated costs and benefits of mill expansion and mine plan optimization activities, cost and timing of future exploration and development; the estimation of Mineral Resources and Reserves and any anticipated upside potential thereof; conclusions of economic evaluations; successful and profitable operations of the Aurora Gold Mine; the Company's ability to meet its most significant near-term liquidity and operating requirements, operating requirements for the next 12 months and debt repayment requirements under the New Facility; the ability of the Company to manage its exposure to fluctuations in the price of diesel; requirements for additional capital, mine expansion plans, expected improvements in mining, processing and general and administrative costs as well as proposed expanded exploration activities and related costs and other potential opportunistic investments in 2018, 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 2018 and its anticipated consolidated cash flow forecast for 2018;
- 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;
- 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 Mineral 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 20, 2018, 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 Feasibility Study available on www.sedar.com.

Other Technical Disclosure

Chief Geologist Augusto Flores IV, (P.Geo), 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 DISCLOSURES

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.

Recent Accounting Pronouncements

IFRS 15 (Revenue Recognition) - The IASB has issued a new standard for the recognition of revenue, IFRS 15 – Revenue from Contracts. This standard will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer, so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach, entities recognize transitional adjustments in retained earnings on the date of initial application (i.e. January 1, 2018), without restating the comparative period. Entities will only need to apply the new rules to contracts that are not completed as of the date of initial application. The standard is effective for annual reporting periods beginning on or after January 1, 2018. Early adoption is permitted. The Company has evaluated the standard and has concluded that the application of IFRS 15 will not have a material impact on its consolidated financial statements.

IFRS 9 (Financial Instruments) - IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. IFRS 7 (Financial Instruments: Disclosure) addresses the disclosure of financial assets and financial liabilities in the financial statements. IFRS 7 will be amended to require additional disclosures on transition from IAS 39 to IFRS 9, effective on adoption of IFRS 9. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company has evaluated the standard and has concluded that the application of IFRS 9 will not have a material impact on its consolidated financial statements.

IFRS 16 (Leases) - In January 2016, the IASB issued IFRS 16 – Leases which establishes the principles that an entity should use to determine the recognition, measurement, presentation and disclosure of leases for both parties to a contract: the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17, Leases, and related Interpretations. IFRS 16 is effective from January 1, 2019 though a company can choose to apply IFRS 16 before that date but only in conjunction with IFRS 15 Revenue from Contracts with Customers. The Company is currently assessing the impact of this standard.

Critical Accounting Estimates

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

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

MINERAL RESERVES AND RESOURCES

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.

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.

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 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. Refer to Note 19 in the consolidated financial statements for the years ended December 31, 2017 and 2016 for significant components of the Company's deferred tax assets and liabilities.

ASSET RETIREMENT OBLIGATION

Liabilities for asset retirement obligations are recognized at the time of environmental disturbance, in amounts equal to the discounted value of expected future mine reclamation and closure costs. 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.

CONTINGENCIES

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