ASTUR GOLD CORP.
FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED JUNE 30, 2016
(Expressed in Canadian dollars unless otherwise noted)

Background

The following discussion and analysis, prepared as of July 26, 2016 should be read together with the condensed consolidated interim financial statements for the six months ended June 30, 2016 and the related notes attached thereto.

Additional information related to the Company is available for view on the Company's website www.asturgold.com and on SEDAR at www.sedar.com.

Company Overview

Astur Gold Corp. (the "Company" or "Astur Gold") was incorporated under the laws of the Province of British Columbia on August 20, 2007. The Company completed its Initial Public Offering ("IPO") in February 2008 and commenced trading on the TSX-V. On Listing the, the Company was classified as a Capital Pool Company ("CPC") as defined by Policy 2.4 of the TSX Venture Exchange (the "TSX-V"). In April 2010, the Company completed its Qualifying Transaction and was classified as a junior mining issuer with the TSX-V. The Company's head office address is Suite 300 – 1055 West Hastings Street, Vancouver, British Columbia, V6E 2E9. The registered and records office address is located at Suite 1500 – 1055 West Georgia Street, Vancouver, British Columbia, V6E 0B6.

Company Restructuring

On July 12, 2016, the Company entered into strategic agreements, subject to approval by the TSX Venture Exchange, organised by Lionsbridge Pty Ltd. ("Lionsbridge") for the restructuring of the Company.

Lionsbridge, RMB Australia Holdings Limited ("RMB") and the Company have entered into an option agreement, facilitated by Lionsbridge, under which RMB has granted Astur the option (the "Option") to repay the secured debt facility owed by Astur to RMB (see Note 7) in consideration for a cash payment of US$3,000,000, a 2% net smelter returns royalty on the first 800,000 ounces of gold produced from the Company's Salave Project (the "NSR"), certain additional consideration to a maximum of U.S $6,000,000 if, over a three year period, Astur enters into any sale, merger or joint venture involving the Salave Project where the Salave Project is valued in excess of US$10,000,000, and reimbursement of certain expenses. The NSR may be repurchased by Astur at any time until the earlier of (a) receipt of primary environmental approvals for the Salave Project or (b) December 31, 2017 for a cash payment of US$3.0 million. If Astur wishes to repurchase the NSR before December 31, 2016, it may do so for a cash payment of US$2.0 million. Under the Option Agreement, RMB has granted Lionsbridge the exclusive right until September 6, 2016 (the "Exclusivity Period") to arrange the necessary financing to exercise the Option. The Option will terminate if it is not exercised on or before the expiry of the Exclusivity Period. Under the terms of the Option, RMB will continue to contribute working capital to the Company during the Exclusivity Period.

The Company has also entered into a services agreement (the "Services Agreement") with both Lionsbridge and Westech International Pty Ltd. ("Westech") under which Lionsbridge will provide the Company with corporate management services. Subject to the approval by Astur's Board of Directors of fees and services to be provided by Westech, Westech will be engaged by Astur to provide technical services from time to time for the development of Astur's business. The Services Agreement is subject to acceptance for filing by the TSX Venture Exchange.

Lionsbridge has also arranged a non-brokered private placement for the Company of up to 12,000,000 units at a price of $0.05 per unit for gross proceeds of up to $600,000. Each unit will consist of one common share and one common share purchase warrant, each warrant entitling the holder to purchase one common share at a price of $0.07 per share for a period of 24 months. If, during this 24 month period, the closing price of the Astur's common shares is at least $0.20 for a period of 20 consecutive trading days, Astur may, at its option, accelerate the expiry date of the warrants by issuing a news release or giving written notice thereof all holders of warrants, and, in such case, the warrants will expire on the earlier of: (i) the 30th day after the date on which the news release or written notice is disseminated by Astur; and (ii) the original expiry date. Lionsbridge will be paid a finder's fee of 12.5% of the gross proceeds raised, payable in shares of Astur at a deemed price of $0.05 per share. The private placement is subject to acceptance for filing by the TSX Venture Exchange. The proceeds of the private placement will be used for general working capital purposes.

Effective on closing of the Services Agreement, which is expected to occur as soon as practicable following TSX Venture Exchange acceptance, the management and Board of Directors of Astur will be restructured. Brian Wesson, Clyde Wesson and Mark Gelmon will be appointed to the Board. Brian Wesson will also be appointed as President and CEO, Mark Gelmon will be appointed as Chief Financial Officer and Marion McGrath will be appointed as Corporate Secretary. Mr. Turnbull has agreed to remain as a consultant to the Company for a transitional period of 120 days.

Astur's President and CEO, Douglas Turnbull states "we appreciate the patience our shareholders have demonstrated and the support of our financial partner RMB for the past two years while we have tried to find the best possible solution to resolve the company's outstanding debt, secure an injection of capital to move the company forward. The new partnership with Lionsbridge is a major step in accomplishing these goals. Not only does Lionsbridge have significant mine financing expertise, they are also an experienced mine developer with a proven track record in permitting and building mines worldwide. I believe this agreement will provide the essential elements that will be required to advance the Company's Salave Gold Project in Spain".

Lionsbridge's Brian Wesson stated "We wish to thank the outgoing Board of Directors; including the outgoing founding director Cary Pinkowski, and in particular Douglas Turnbull for his contribution as CEO to the Company over the past 24 months. Further, we thank RMB for their continued support of the Company, they have been and will continue to be an important strategic partner of the Company. We look forward to utilising our resources and experience to unlock shareholder value by progressing the significant Salave project. We have developed a strategy for moving the Salave project forward focused on stakeholder engagement. We will keep the market informed as we progress."

Biographies of the Incoming Board of Directors, Officers and Service Providers

Mr. Brian Wesson has extensive experience spanning a career of over 30 years in the management, operation design and construction of natural resource operations globally. He qualified as an engineer in South Africa, gained an MBA in Australia, studied Economics at the University of South Africa and is a fellow of the Australasian Institute of Mining and Metallurgy and a fellow of the Australian Institute of Company Directors. Mr Wesson founded the Wesson Group of Companies, which Lionsbridge and Westech form part, with a view to utilising the Groups' experience in the ownership, management and development of natural resource companies and the intellectual property developed to unlock shareholder value.

Mr. Clyde Wesson holds bachelor degrees in both Law and Commerce (BCom, LLB) from Macquarie University. He is currently completing both a Masters of Law (LLM) from Melbourne University and the requirements that lead to admittance to practice as a solicitor in the Supreme Court of NSW. Clyde Wesson has extensive experience in corporate finance, structuring transactions and drafting, negotiating and executing commercial agreements. Further, Clyde has significant experience in the management of corporate entities. Clyde is a member of both the Australian Institute of Company Directors and the Law Society of NSW.

Mark Gelmon obtained his Bachelor of Arts degree at the University of British Columbia and subsequently attained his chartered accountant designation in 1995 and is a member of the Chartered Professional Accountants of B.C. Mr. Gelmon has provided his expertise to several TSX Venture Exchange listed companies in the capacity of director, chief financial officer and consultant. His background as a C.P.A. provides the Company with the necessary skills required for financial management, reporting operating results to the Board of Directors, liaison with financial institutions, and compliance with today's complex regulatory reporting requirements.

Marion McGrath has been actively engaged in the securities industry for 30 years. She has served as a director and officer of numerous public companies in a corporate administrative capacity. Ms. McGrath is the owner of iO Corporate Services Ltd., which company provides corporate and accounting services to various publicly-traded Canadian companies. Prior to organizing iO Corporate, Ms. McGrath was a senior paralegal with a Vancouver-based securities law firm.

Amelia Wesson is a key person of Lionsbridge with 25 years of global experience in the management of natural resource projects at a Board of Directors, Vice president, "C" Suite and on site level. Amelia's focus is on stakeholder engagement, social responsibility and administration. Amelia will bring these skills to the furtherance of the project and executive team. Amelia is a member of the Australian Institute of Company Directors.

Lionsbridge is dedicated to the creation of shareholder and investor wealth by providing clients with a holistic suite of corporate management, consultancy and financial solutions. Lionsbridge benefits from experience in both ownership and management of natural resources companies in global markets and across the entire natural resources sector.

Westech is a global resource engineering firm with the expertise and experience to offer our clients holistic technical solutions for natural resource projects encompassing the entire value chain from initial review to extraction and sale. Our depth of expertise allows us to offer our clients a plethora of engineering and technical solutions covering their needs over the entire life cycle from feasibility works to EPC and EPCM, project construction and improvement review and optimisation.

Further information on both Lionsbridge and Westech can be found at: www.lionsbridge.com.au and www.westech.com.au

Salave Gold Property

Negative Environmental Impact Decision on Salave Gold Project

During the fourth quarter of 2014, the Company received a negative decision on the Amended Environmental Impact Assessment ("Amended EIA") from the Commission for Environmental Affairs of the Principality of Asturias ("CAMA") for the Company's current development proposal for the Salave Gold Project (“Salave” or the “Project”) in the Principality of Asturias (“the Principality”) in northern Spain. The Government of Asturias based its decision on a non-binding negative report by the Confederación Hidrográfica del Cantábrico ("CHC"). The CHC's reports on Salave have been repeatedly questioned for their lack of rigor and analysis, not only by the company and specialized independent consultants, but also by the Geological Survey of Spain, who did not find any significant objections to the project that could not be remedied with appropriate corrective measures. Subsequent to the CAMA’s negative decision, the Ministry of Economy and Employment of the Principality of Asturias (the “Ministry”) issued a formal resolution, dated February 10, 2015 denying approval for the development proposal for Salave.

Astur Gold feels it has acted in good faith and has tried on many occasions to address concerns of the Principality. The company based its fundamental investment decision in Salave on the understanding that if the company adhered to the Principality's criteria, environmental guidelines and laws, it would have an opportunity and the rights to develop Salave for the benefit of all stakeholders. The Spanish technical team of Astur Gold worked for almost five years with the support of the best Spanish and international consultants in the preparation of an environmentally and socially sustainable project, through the use of best-practices technology, lower impact underground mining methods, the waiver of cyanide for ore processing, the drastic reduction of the area affected by a tailings facility, as well as an intent to employ workers from the local area.

This decision by the CAMA and the Ministry was a great disappointment to the Company and has not only had a major financial impact on Astur Gold and EMC’s employees in Asturias, but also a significant impact on the Company's overall financial condition. Despite this disappointment, the Company remains committed to working with the Principality in order to determine what specific concerns were not addressed in the most recent development plan and Amended EIA for Salave.

Legal Challenge

In April 2015, the Company filed a lawsuit before the Asturias Court of Justice challenging the decision to reject approval of a proposed underground mine operation for the Salave project. The initial legal action seeks to challenge this ruling. In conjunction with this legal action, the Company filed a statement of claim (the “Claim”) against the Ministry of Economy and Employment of the Principality of Asturias in November 2015. The Claim seeks to recover Euro 8.59 million of expenditures incurred on the Salave property since 2010 when the Company acquired the property. Pending the outcome of this initial lawsuit, the Company will also consider all other possible legal actions available to defend and protect the rights of the Company.

Property Overview

In April 2010, the Company completed the acquisition of a 100% interest in the Salave property through its wholly owned Spanish subsidiary, EMC. The Salave property is comprised of six mineral concessions totaling 686 hectares and an investigation permit of 2765 hectares located in the province of Asturias in northern Spain, approximately 2km from the town of Tapia de Casariego. The region boasts excellent infrastructure and industrial skilled labour due to a long history of coal mining that will help support future mine development. Salave is one of the largest undeveloped gold deposits in Western Europe.

The Salave property is subject to a pre-existing lease termination agreement which calls for five cash payments of US$5,000,000 each with the first payment due when certain permits to construct and operate an open pit mine are received, the second on commencement of commercial production and the remaining three payments based on certain production levels with the final payment due after 800,000 ounces have been produced. Pursuant to the lease termination amending agreement, at the option of the Company and subject to regulatory approval, any of these payments can be satisfied in whole by the issuance of common shares of the Company.

After 800,000 ounces of gold have been produced, the Salave property is also subject to a 5% net smelter return royalty (“NSR”), half of which can be purchased by the Company for a cash payment of US $5,000,000.

Feasibility Study

In June, 2013, the Company commenced a Feasibility Study ("FS") on Salave focusing on a lower tonnage, higher grade underground mining operation with substantially lower capital cost and expected lower operating cost than previously announced in the Preliminary Economic Assessment completed by Golder Associates Global Ibérica S.L.U., dated February 12, 2011. The FS was suspended in December of 2014, subsequent to having the Company’s Amended EIA rejected by the Principality of Asturias.

The scope of the FS was based upon underground-only mining via open stope mining methods, bulk backfill with development muck and paste fill, and processing via conventional flotation to produce a gold-rich concentrate for shipment to an independent smelter. The exclusion of pressure oxidation, cyanidation, and carbon-in-leach circuits (as announced on December 7, 2012) are expected to substantially reduce initial capital costs required for the project.

Updated Mineral Resource Estimate for Salave

On February 6, 2014, the Company announced the completion of an updated resource estimate for its 100% owned Salave gold project in Northern Spain based on the 67,508 meters of core and reverse circulation drilling (440 holes) completed to date. The resource estimate has an effective date of January 22, 2014 and was prepared by Mining Development Associates of Reno, Nevada (“MDA”) in accordance with National Instrument 43-101 ("NI 43-101") Standards for Disclosure of Mineral Properties. The report estimates Measured & Indicated resources of 6,522,000 tonnes averaging 4.51g/t Au for a total of 944,000 ounces of gold, composed of 514,000 tonnes averaging 5.87g/t Au for 97,000 ounces in the of a Measured category and 6,008,000 tonnes averaging 4.39g/t Au for 847,000 ounces in the Indicated category, with an additional 1,078,000 tonnes averaging 3.05g/t Au for 106,000 ounces of gold in the Inferred category. These resources were estimated using a 2.0g/t Au cut-off grade to capture mineralization that is potentially amenable to underground mining, sulfide concentration, and gold recovery using off-site processing. The deposit still remains open to the west for future expansion potential.

The report was filed with SEDAR on March 20, 2014 and is available at www.sedar.com. Mineral resources that are not reserves do not have demonstrated economic viability. The quantity and grade of reported inferred resources in this estimation are conceptual in nature and there has been insufficient exploration to define these inferred resources as an indicated or measured resource and it is uncertain if further exploration will result in upgrading them to an indicated or measured resource category.

Environmental Impact Assessment

On May 17, 2012, the Company announced that it submitted its Environmental Impact Assessment (“EIA”) to the General Directorate of Mines of the principality of Asturias. The EIA included a reclamation and closure project and a residue handling program in accordance with the statutory requirements of Spanish mining laws. Included with the application was a revised and updated compilation of the mining application and complementary studies such as archeological and patrimony, hydrogeological, geotechnical, and health and safety.

In November 2012, the Company announced that the CAMA issued an Environmental Impact Declaration (“EID”) for mine development at the Company’s Salave Gold Property. The EID approved the majority of the elements in the EIA the Company submitted on May 17, 2012, including the construction of the underground mine, 2.2 kilometer decline, an underground crushing plant, ventilation shafts, waste dumps and surface stockpiles, as well as ancillary facilities associated with the planned mine such as access, the power line and the concrete plant. Additional information regarding water quality discharge limits and handling was requested before approving the mill and tailings facilities. In response to this request, the Company completed geotechnical drilling to test the strata along the route of the approved access gallery to the Salave orebody. The company worked with SRK Consulting (UK) Ltd. (“SRK”) and the University of Oviedo to complete the water studies requested by

CHC relevant to the surrounding lakes and tailings areas including assessments of hydrogeology, hydrology, geochemistry, water balance, and possible water treatment requirements.

The Company filed an updated and amended EIA (“Amended EIA”) on December 18, 2013 which addressed the issues raised CHC. The Amended EIA included the results of studies requested by the CHC in their report of July 2012 and included compromises to the originally proposed processing methods to further minimize the environmental impact of the development of Salave. Changes the Company incorporated into its proposed processing methods included; removal of on-site pressure oxidation and cyanide leaching; production of a high grade flotation concentrate for processing off site; addition of mechanical dewatering of tailings to utilize state of the art dry stack tailings storage to eliminate potentially unstable saturated tailings and allow concurrent reclamation; and new details related to the proposed water management, treatment and discharge in order to minimize or eliminate impact on the watershed upstream from Tapia de Casariego. The Amended EIA was published for public comment on December 31, 2013, which triggered a 30 day public comment period. The Company submitted its response to the public comments in April 2014.

The Geological and Mining Institute of Spain ("IGME") conducted an independent study at the request of the Directorate General of Mining and Energy of the Principality of Asturias regarding the effects of the proposed Salave mine operation. The IGME study was conducted in February and March 2014 and focused on the hydrogeological characteristics of soil and water composition of the *Lagunas de Silva*. From the data obtained, the IGME report concludes that the proposed mine would have little to no effect on the existing water systems and that the application of passive treatment technologies in the *Lagunas de Silva* areas would likely improve water quality. It also indicated that natural geologic barriers will confine waters to the mine area and not affect surrounding water resources. These barriers are also seen to prevent sea water inflows.

The Company received the final decision on the Amended Environmental Impact Assessment, rejecting the Company’s development proposal for Salave in December of 2014.

Selected Financial Data

Quarterly Results

	Three month period ended June 30, 2016	Three month period ended March 31, 2016	Three month period ended December 31, 2015	Three month period ended September 30, 2015
Total assets	$ 130,927	$ 113,725	$ 165,498	$ 205,206
Working capital	(12,063,255)	(11,597,002)	(11,870,103)	(10,938,519)
Non-current liabilities	-	-	-	-
Shareholders’ (deficiency)	(12,060,868)	(11,594,522)	(11,867,522)	(10,937,279)
Interest income	46	67	80	64
Net (loss) income and comprehensive (loss) income	(466,346)	273,000	(934,243)	(1,250,284)
(Loss) income per share	(0.01)	0.01	(0.02)	(0.03)

	Three month period ended June 30, 2015	Three month period ended March 31, 2015	Three month period ended December 31, 2014	Three month period ended September 30, 2014
Total assets	$ 291,339	$ 271,278	$ 431,663	$ 14,773,413
Working capital	(9,688,235)	(9,389,701)	(8,060,377)	(56,453)
Non-current liabilities	-	-	-	6,912,936
Shareholders’ (deficiency)	(9,686,995)	(9,388,461)	(8,048,334)	7,229,171
Interest income	98	100	178	427
Net (loss) income and comprehensive (loss) income	(294,534)	(1,345,384)	(15,283,705)	(783,503)
(Loss) income per share	(0.01)	(0.04)	(0.42)	(0.02)

Results of Operations

Six Month Period Ended June 30, 2016

The Company incurred a comprehensive loss of $193,346 during the period ended June 30, 2016 (2015 - $1,643,918). The Company recognized a $734,310 foreign exchange gain (loss) in the current period (2015 - $(668,144)) on its U.S. dollar denominated loan facility as a result of an increase in the Canada/US foreign exchange rate between December 31, 2015 and June 30, 2016. The financial results reflect the Company's focus on reducing non-essential costs and directing financial resources towards the Salave Gold Property legal action.

Other items of note for the period ended June 30, 2016 are as follows:

- General and administrative of $58,200 (2015 - $74,580) is lower than the comparative year due to continued cost reductions by management. General and administrative expense is comprised of the following amounts:

	Six month period ended June 30, 2016	Six month period ended June 30, 2015
Administrative salaries and benefits	$ 52,644	$ 55,036
Bank charges and interest	1,660	4,541
Courier and postage	78	896
Office and miscellaneous	3,078	12,700
Telephone	740	1,407
	$ 58,200	$ 74,580

- Professional fees of $29,110 (2015 - $133,265) are lower than the comparative period. The Company incurred significant professional fees in the prior period due to its legal challenge of the Salave Gold Property environmental decision.

- Interest and accretion expense of $751,754 (2015 - $677,150) is higher than the comparative period. The increase is consistent with the increase in the loan facility balance.

Three Month Period Ended June 30, 2016

The Company's focus during the second quarter of 2016 was negotiating the strategic agreements with Lionsbridge Pty Ltd. for the restructuring of the Company.

Cash Flows

Net cash used in operating activities during the period ended June 30, 2016 was $249,455 (2015 - $129,428). The cash used in operating activities for the current period consists primarily of the operating loss and a change in non-cash working capital.

During the period ended June 30, 2016, financing activities provided net cash of $206,620 (2015 - $162,503) from the loan facility agreement. The Company paid $Nil (2015 – $Nil) in interest during the current period.

Net cash provided by investing activities during the period ended June 30, 2016, was $Nil (2015 – $12,634). The Company received $Nil (2015 – $12,634) from the sale of equipment in the current period.

Financial Condition / Capital Resources

	June 30, 2016	December 31, 2015	December 31, 2014
Working capital	$ (12,063,255)	$ (11,870,103)	$ (8,060,377)
Deficit	(28,614,522)	(28,421,176)	(24,596,731)

The Company has financed its operations to date through the issuance of common shares and debt financing. The Company continues to seek capital through various means including the issuance of equity and/or debt.

The Company has a U.S. dollar denominated loan facility agreement (the “Facility”) with RMB Australia Holdings Limited. Further information on the Facility is available in Note 7 of the Company’s condensed consolidated interim financial statements for the period ended June 30, 2016.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. If adequate financing is not available when required, the Company may be unable to continue operating. The Company may seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company’s shareholders and may result in dilution to the value of such interests.

The condensed consolidated interim financial statements for the six months ended June 30, 2016 do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements as at June 30, 2016 and as of the date of this report.

Related Party Transactions

The following amounts were incurred with respect to officers and directors of the Company:

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Doug Turnbull - Chief Executive Officer	$ 30,000	$ 30,000
Nick DeMare – Chief Financial Officer	15,000	15,000
Dr. Patrick Moore – Director – Share-based compensation	-	5,257

There is $262,071 (December 31, 2015 - $257,831) in accounts payable and accrued liabilities at June 30, 2016 that is due to directors, officers and companies controlled by directors or officers.

Investor Relations Activities

The Company maintains a website at www.asturgold.com. There are no investor relation agreements in effect at June 30, 2016 and as of the date of this report.

Outstanding Share Data

The following table summarizes the Company's outstanding share data as of the date of this report:

	Number of shares issued or issuable
Common shares	36,780,761
Stock options (exercise prices ranging from $0.40 to $0.85)	3,335,000
Warrants	-

Financial Instruments and Risk Management

Fair value

The inputs used in making fair value measurements are classified within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

The carrying value of receivables and accounts payable and accrued liabilities and loan facility approximated their fair value because of the short-term nature of these instruments. Cash is measured at fair value using Level 1 inputs. The carrying value of deposits also approximates its fair value.

Financial instruments measured at fair value on the consolidated statements of financial position are summarized in levels of fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash	$ 67,929	$ -	$ -	$ 67,929

The Company has exposure to the following risks from its use of financial instruments:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's cash is held at large financial institutions and it believes it has no significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations, and anticipating investing and financing activities. As at June 30, 2016, the Company had current assets of $128,540 to settle current liabilities of $12,191,795 which either have contractual maturities of less than 30 days and are subject to normal trade terms or are due on demand.

Market risk

Market risk is the risk of loss that may arise from changes in market factors, such as interest rates and foreign exchange rates.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

In June 2013, the Company closed a loan facility agreement with RMB Australia Holdings Ltd. Borrowings made against this loan facility agreement are subject to interest at LIBOR plus 6% per annum. The LIBOR is derived from a filtered average of several world banks' interbank deposit rates for larger loans with maturities between overnight and one full year and is subject to change and therefore subject to interest rate risk. Based on the Company's loan facility balance at June 30, 2016, a 1% change in LIBOR would result in an $100,163 change in annual interest expense.

b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations, exploration and administrative expenses in Spain by using Euros converted from its Canadian bank accounts. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk. Based on the Company's Euro denominated financial instruments at June 30, 2016, a 10% change in exchange rates between the Canadian dollar and the Euro would result in a $41,117 change in foreign exchange gain or loss.

In August 2013, the Company's loan facility agreement with RMB Australia Holdings Ltd. was amended so that all borrowings and repayments will be made in US dollars. Based on the Company's US dollar loan facility balance at June 30, 2016, a 10% change in exchange rates between the Canadian dollar and the US dollar would result in a $1,001,625 change in foreign exchange gain or loss.

Accounting standards and interpretations issued but not yet applied

As at the date of this report, the following standards have not been applied in these financial statements:

(i) IFRS 9 *Financial Instruments*: effective for annual periods beginning on or after January 1, 2018. IFRS 9 replaces multiple classification and measurement models in IAS 39 with a singular model that has only two classification categories: amortized cost and fair value. IFRS 9 prohibits reclassifications except in rare circumstances when the entity's business model changes. The new standard removes the requirement to separate embedded derivatives from financial asset hosts. It requires a hybrid contract to be classified in its entirety at either amortized cost or fair value.

Management is currently assessing the impact of these new standards on the Company's accounting policies and financial statement presentation.

Management's Responsibility for Financial Statements

Information provided in this report, including the condensed consolidated interim financial statements for the period ended June 30, 2016, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

Risks and Uncertainties

Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. These can be categorized as operational, legal, financial and regulatory risks.

- Operational risks include finding and developing reserves economically, marketing production and services, product deliverability uncertainties, changing governmental law and regulation, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations. Insurance may be maintained at levels consistent with prudent industry practices to minimize risks, but the Company is not fully insured against all risks, nor are all such risks insurable.

- Legal risks include the future outcome of the Company's legal challenge before the Asturias Court of Justice challenging the decision to reject approval of a proposed underground mine operation for the Salave project.

- Financial risks include commodity prices, interest rates and the Canadian dollar, United States dollar and the Euro exchange rate, all of which are beyond the Company's control.

- Regulatory risks include the possible delays in getting regulatory approval to the transactions that the Board of Directors believe to be in the best interest of the Company, and include increased fees for filings, the introduction of ever more complex reporting requirements the cost of which the Company must meet in order to maintain its exchange listing.

The Company currently has sufficient cash to continue in business. There can be no assurance that future financing will be available or, if available, that it will be on reasonable terms. If financing is obtained by issuing common shares from treasury, control of the Company may change and investors may suffer additional dilution. To the extent financing is not available, lease payments, work commitments, rental payments and option payments, if any, may not be satisfied and could result in a loss of property ownership or earning opportunities for the Company.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A are forward-looking statements or forward-looking information (collectively "forward-looking statements") within the meaning of applicable securities legislation. We are hereby providing cautionary statements identifying important factors that could cause the actual results to differ materially from those projected in the forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or the negatives thereof or variations of such words and phrases or statements that certain actions, events or results "if" "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward-looking statements in this MD&A include, but are not limited to, statements with respect to: (i) the estimation of inferred and indicated mineral resources; (ii) that once the Company obtains a positive Environmental Impact Declaration ("EID") and the authorization of the project, it will be able to commence construction of the Salave gold mine, pending municipal permits; (iii) the market and future price of gold; (iv) the timing, cost and success of future exploration and development activities; (v) currency fluctuations; (vi) requirements for additional capital; and (vii) increases in mineral resource estimates (vii) possible outcomes of the Company's lawsuit against the Ministry of Economy and Employment of the Principality of Asturias.

Forward-looking statements are 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, but which may prove to be incorrect. The Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable.

Assumptions have been made regarding, among other things, the estimation of mineral resources, the realization of resource estimates, gold and other metal prices, the timing and amount of future exploration and development expenditures, the estimation of initial and sustaining capital requirements, the availability of necessary financing and materials to continue to explore and develop the Salave Gold Property in the short and long-term, the progress of development and exploration activities, and assumptions with respect to currency fluctuations, environmental risks, title disputes or claims, and other similar matters. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. While the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors, many of which are beyond the control of the Company, that could influence actual results include, but are not limited to: risks inherent in the exploration and development of mineral deposits, including risks relating to changes in project parameters as plans continue to be redefined, risks relating to variations in ore reserves, grade or recovery rates resulting from current exploration and development activities, risks relating to changes in the price of gold, silver and copper and the worldwide demand for and supply of such metals, risks related to current global financial conditions, uncertainties inherent in the estimation of mineral resources, access and supply risks, reliance on key personnel, risks inherent in the conduct of mining activities, including the risk of accidents, labour disputes, increases in capital and the risk of delays or increased costs that might be encountered during the development process, regulatory risks, including risks relating to the acquisition of the necessary licenses and permits, financing, capitalization and liquidity risks, including the risk that the financing necessary to fund the exploration and development activities at the Salave Gold Property may not be available on satisfactory terms, or at all, risks related to disputes concerning property titles and interest, and environmental risks.

Readers are cautioned that the foregoing lists of factors are not exhaustive.

The forward-looking statements in this MD&A are based on the reasonable beliefs, expectations and opinions of management on the date of this MD&A. Although we have attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There is no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information.

The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. Except as required by applicable securities laws, the Company does not undertake any obligation to publicly update or revise any forward-looking statements contained in this MD&A.