



**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE PERIOD ENDED JANUARY 31, 2019**

**TSXV: TEN**

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## Background

Terraco Gold Corp. (the “Company” or “Terraco”) provides this Management Discussion and Analysis (“MD&A”) of financial position and results of operations as of March 29, 2019. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements for the period ended January 31, 2019 and the notes thereto, as well as the audited annual consolidated financial statements as at July 31, 2018 and 2017, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in Canadian dollars. The Company has prepared this MD&A following the requirements of National Instrument 51-102, Continuous Disclosure Obligations.

## Description of Business

Terraco is a precious metals exploration and royalty company engaged in the acquisition and exploration of mineral v properties and the acquisition of royalty assets. The Company currently has exploration properties and royalty assets in the United States of America. The Company is a reporting issuer in Alberta and British Columbia and trades on the TSX Venture Exchange (“TSX.V”) under the symbol ‘TEN’. The core management and technical team are proven professionals, with extensive international experience in all aspects of mineral exploration, operations and venture capital markets.

## Overall Performance

During the period ended January 31, 2019, the Company maintained its priority on evaluating potential royalty acquisitions and enhancing shareholder value. The Company also continued to maintain its mineral claims that show exploration potential while monitoring exploration success in the vicinity of the Company’s projects.

The exploration programs and technical disclosure for the Company are designed by Charles Sulfrian, C.P.G., Consultant, Exploration for Terraco who is a ‘qualified person’, as defined by National Instrument 43-101, Standards of Disclosure for Mineral Projects.

## Highlights

On October 31, 2018, the Company announced that drilling is currently underway at the Spring Valley Gold Project (“Spring Valley Project”) located in Pershing County, Nevada. The primary drilling focus is highlighted in the map below:

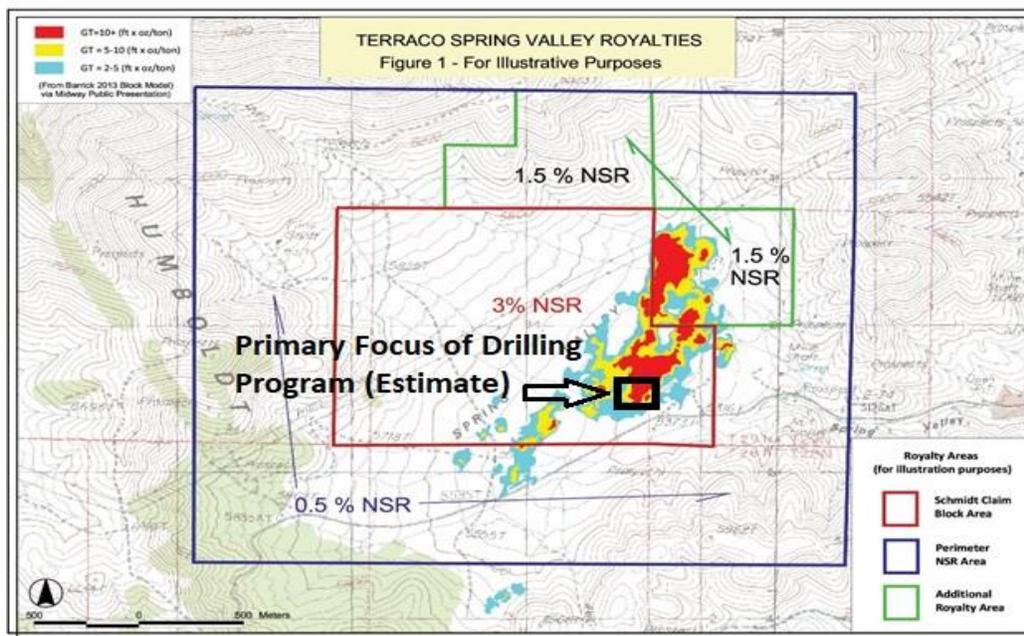


Figure 1: Map of Spring Valley Project drilling focus (boundaries are approximate)

The Spring Valley Project was acquired by Waterton (as defined below) in 2015 and hosts a 2014 published National Instrument 43-101 compliant gold resource of 4,120,000 million ounces of gold measured (1,510,000) + indicated (2,610,000) and 990,000 ounces inferred. The technical report titled “NI 43-101 Technical Report on Resource,

Spring Valley Project” was filed by Midway Gold Corp. on September 9, 2014 and is based on work completed in a joint venture between Midway Gold Corp. and Barrick Gold Corporation. The technical report is available at [www.sedar.com](http://www.sedar.com) under Midway Gold Corporation’s profile.

## Royalty Interests

### Spring Valley Royalty #1

On December 21, 2011, the Company entered into an Assignment and Option Agreement (“Assignment and Option Agreement”) pursuant to which a wholly-owned subsidiary acquired an option to purchase a 2.5% NSR sliding scale royalty on a portion of the Spring Valley Project located in Pershing County, Nevada and received in cash US\$5,000,000. The Spring Valley Project is 100% owned and controlled by Waterton Global Resource Management (“Waterton”). The terms of the option provide the Company with the ability to purchase a 2.5% NSR sliding scale royalty on a portion of the Spring Valley Project for US\$12,500,000 for a period of 5 years from the closing of the transaction or within 1 year of a change of control of the Company. In exchange for the option, the Company issued a 1% NSR royalty on its Moonlight Property; a 0.5% NSR royalty (and up to a 1.0% NSR royalty in certain circumstances) on its Almaden Property; an off-take for 30% of the minerals produced from the Almaden (Nutmeg Mountain) Property during the life of the mine; and 1,000,000 share purchase warrants with an exercise price of \$0.35 per share for a period of 5 years, subject to early expiry at the discretion of the Company, if the Company shares trade at \$0.70 or higher for 20 consecutive trading days. The fair value attributed to the share purchase warrants was estimated to be \$228,399 using the Black-Scholes option-pricing model with the following assumptions: expected warrant life of 5 years, risk-free interest rate of 1.15%, dividend yield of 0% and expected volatility of 151%. The Company incurred a success fee of \$300,000 (paid) in conjunction with this transaction.

NSR sliding scale royalty:

Gold Price (US\$ per oz)	Terraco Royalty Option
<\$300	0.71%
\$300-\$399	1.07%
\$400-\$499	1.43%
500-\$599	1.79%
\$600-\$699	2.14%
\$700+	2.50%

On June 15, 2016, the Company exercised the Spring Valley Royalty Option #1, under the Assignment and Option Agreement dated December 21, 2011. As a result of the exercise of the Spring Valley Royalty Option #1, the Company has paid US\$12,500,000, and in return the Company received a 2.5% NSR sliding scale royalty on a portion of the Spring Valley Project.

### Spring Valley Royalty #2

On March 8, 2012, the Company entered into a Royalty Assignment, Purchase and Option Agreement pursuant to which a wholly-owned subsidiary acquired an option to acquire a 0.5% NSR royalty on a portion of the Spring Valley Project. The terms of the option provide the Company with the ability to purchase a 0.5% NSR royalty on a portion of the Spring Valley Project for US\$983,211 for a period of 5 years from the closing of the transaction or within 1 year of a change of control of the Company.

On June 15, 2016, the Company exercised the Spring Valley Royalty Option #2 under the Royalty Assignment, Purchase and Option Agreement dated March 8, 2012. As a result of the exercise of the Spring Valley Royalty Option #2, the Company has paid US\$983,211, and in return the Company received a 0.5% NSR royalty on a portion of the Spring Valley Project.

### Spring Valley Royalty #3

On March 8, 2012, the Company entered into a Royalty Assignment, Purchase and Option Agreement (“Royalty Assignment, Purchase and Option Agreement”) pursuant to which the Company acquired a 0.5% NSR royalty from a strategic partner on a portion of the Spring Valley Project in exchange for 2,500,000 common shares with an estimated fair value of \$587,500. The Company issued 2,500,000 common shares as consideration for the full purchase price.

#### Spring Valley Royalty #4

On April 21, 2013, the Company entered into a Royalty Purchase Agreement (“RPA”) and a Royalty Purchase and Option Agreement (“RPOA”) pursuant to which a wholly-owned subsidiary acquired for US\$4,200,000 and sold for US\$5,200,000 a 1.0% NSR sliding scale royalty on a portion of the Spring Valley Project while retaining an option to acquire a NSR sliding scale royalty on a portion of the Spring Valley Project.

The terms of the option provide the Company with the ability to purchase a 0.5% NSR sliding scale royalty on a portion of the Spring Valley Project for US\$2,600,000 for a period of 3.7 years from the closing of the transaction (expiring on December 30, 2016) or within 1 year of a change of control of the Company. Pursuant to the RPA and RPOA, the Company issued 800,000 common shares as consideration with an estimated fair value of \$88,000 and received a net cash infusion of US\$1,000,000.

NSR sliding scale royalty:

Gold Price (US\$ per oz)	Terraco Royalty Option
<\$300	0.14%
\$300-\$399	0.21%
\$400-\$499	0.29%
\$500-\$599	0.36%
\$600-\$699	0.43%
\$700+	0.50%

On June 15, 2016, the Company exercised the Spring Valley Royalty Option #4 under the Royalty Purchase Agreement (“RPA”) and a Royalty Purchase and Option Agreement (“RPOA”) dated April 21, 2013. As a result of the exercise of the Spring Valley Royalty Option #4, the Company has paid US\$2,600,000, and in return has received a 0.5% NSR sliding scale royalty on a portion of the Spring Valley Project.

#### Spring Valley Royalty #5

On December 21, 2011, the Company issued 4,000,000 common shares at an estimated fair value of \$1,020,000 to acquire a ROFR on a separate 1% area of interest royalty located on the Spring Valley Project.

On February 1, 2017, the Company exercised its ROFR to acquire, from the Schmidt Family Mining Partnership LLC, an additional 1% net smelter returns royalty on certain lands within a one-half mile perimeter of the Schmidt Claim Block included in the Spring Valley Project. The ROFR, upon exercise, was subject to an option with RK Mine Finance whereby Red Kite’s wholly owned subsidiary, EXP2 LLC, could purchase 50% of the 1% Perimeter NSR from TGC (net 0.5% NSR royalty) on the same terms of the TGC purchase price. Red Kite has concurrently exercised its option and has purchased 50% of the Perimeter NSR with TGC retaining the other 50% or 0.5% NSR royalty.

In conjunction with the acquisition of the Perimeter NSR, both the Company and Red Kite have each separately paid \$742,466 (US\$567,895) for 0.5% of the Perimeter NSR.

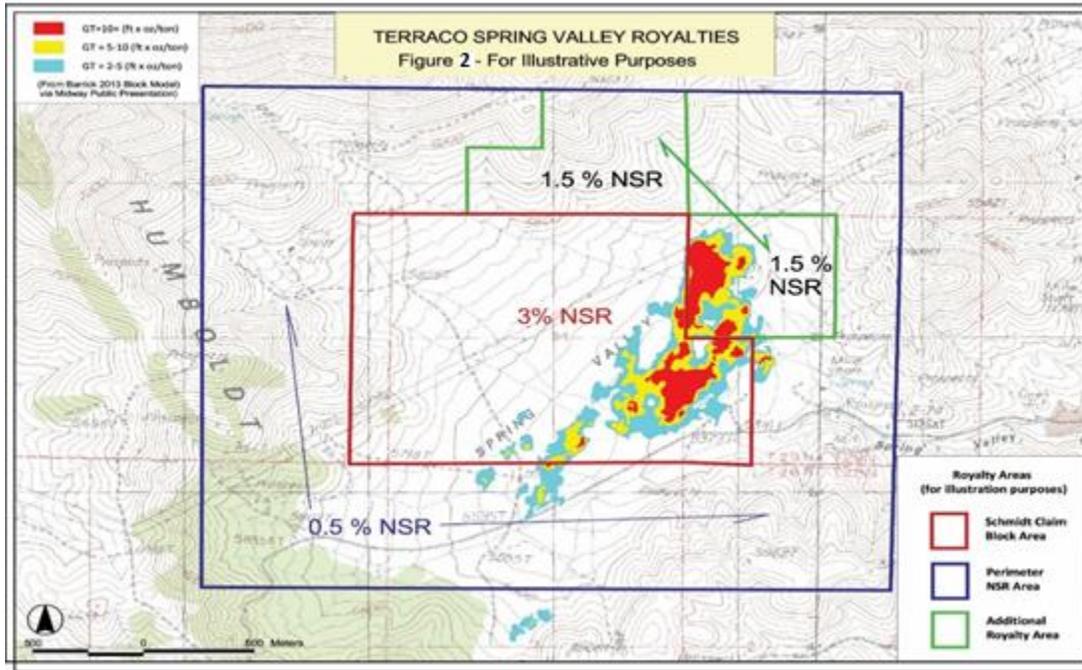


Figure 2: Map of Spring Valley Project royalties held by Terraco Gold Corp. (boundaries are approximate)

#### Moonlight Property Royalty

On June 15, 2016, the Company entered into definitive agreements with Solidus Resources, LLC, a wholly-owned subsidiary of Waterton, pursuant to which it acquired 100% of the Company's claims, leases, title and mineral rights proximate to the Spring Valley Project, including the Company's Moonlight Property located adjacent to the north of the Spring Valley Project but excluding certain royalties held by the Company, (collectively, the "SV Proximal Assets") in exchange for US\$7,000,000 in cash (the "Cash Consideration") and a 2% NSR on the SV Proximal Assets (the "Asset Purchase").

As at January 31, 2019, the Company had capitalized acquisition costs of \$23,691,708 (July 31, 2018 - \$23,691,708) under royalty interests.

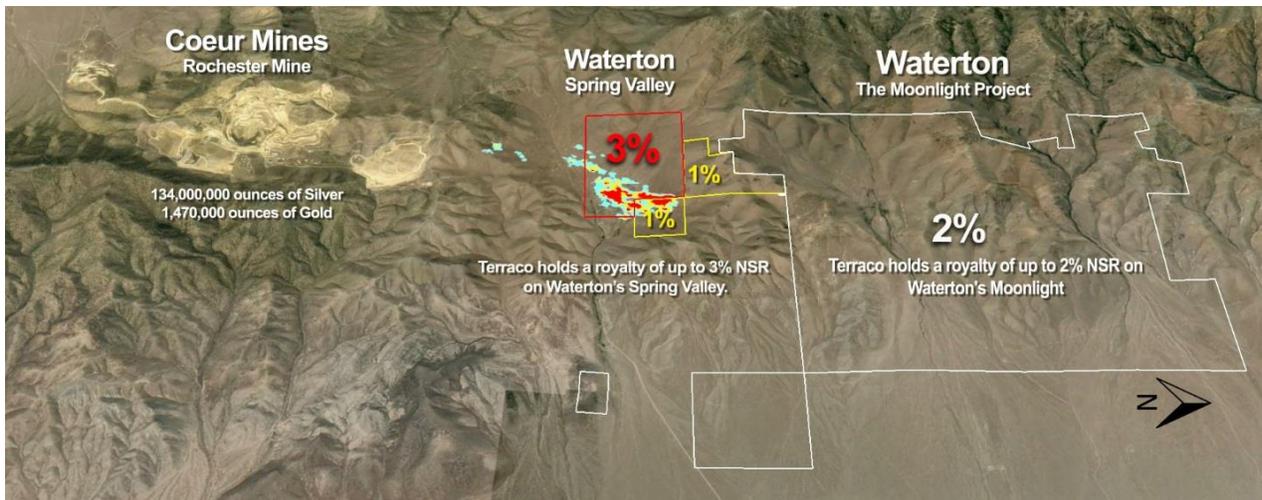


Figure 3: Map of all royalties held by Terraco Gold Corp. (boundaries are approximate)

## Mineral Property

### Almaden (Nutmeg Mountain) Property

On January 25, 2011, the Company acquired all of the outstanding securities of Western Standard Metals Ltd. ("Western") in an all-share transaction by way of a plan of arrangement. Accordingly, the Company acquired a 100% interest in the Almaden (Nutmeg Mountain) Property comprising 12 leased patented lode mining claims (approximately 248 acres), 210 unpatented lode mining claims (approximately 4,150 acres) and approximately 280 acres of private fee ground located in Washington County, Idaho.

The Almaden (Nutmeg Mountain) Property currently hosts a National Instrument 43-101 compliant measured resource of 239,000 ounces of gold (9,807,000 tonnes grading 0.758 grams per tonne ("gpt")), an indicated resource of 625,000 ounces of gold (29,248,000 tonnes grading 0.665 gpt) and an inferred resource of 84,000 ounces of gold (4,781,000 tonnes grading 0.546 gpt), at the cut-off grades of 0.274 gpt, 0.411 gpt, and 0.790 gpt for the oxide, mixed and sulfide mineralization, respectively. Please see the 43-101 report filed on [www.sedar.com](http://www.sedar.com) for further information.



Figure 4: Picture of Almaden (Nutmeg Mountain) Property

For the period ended January 31, 2019, the Company expended \$64,080 at the Almaden (Nutmeg Mountain) Property, which increased the exploration and evaluation assets associated to the advancement of the Almaden (Nutmeg Mountain) Property to \$19,881,576.

The Almaden (Nutmeg Mountain) Property is subject to a 4% net proceeds royalty interest payable to underlying property owners, a 1% NSR royalty (for gold prices equal to or less than US\$425/oz.) or 2% (for gold prices greater than US\$425/oz.) payable to Royal Gold Inc. and a 0.5% NSR royalty payable to a strategic partner.

### Results of Operations for the Three Months Ended January 31, 2019

For the three months ended January 31, 2019, the Company recorded a net loss of \$110,298 versus a net income of \$480,228 incurred during the three-month period ended January 31, 2018. The decrease in net income is due from an increase in consulting fees (\$39,371), an increase in share-based payments (\$43,434), a decrease in foreign exchange gain (\$438,945) and an increase in finance fees (\$62,453). The increase in consulting fees is due from an increased activity level during the period. The decrease in foreign exchange gain is due from the fluctuations of the United States dollar compared to the Canadian dollar which primarily relate to the US denominated convertible debenture. The increase in share-based payments is due from the vesting of 3,900,000 share purchase options granted October 31, 2018. The increase in finance fees pertains to the accretion of convertible debenture.

### Results of Operations for the Six Months Ended January 31, 2019

For the six months ended January 31, 2019, the Company recorded a net loss of \$778,580 versus a net income of \$316,707 incurred during the six-month period ended January 31, 2018. The decrease in net income is primarily due from an increase in consulting fees (\$66,071), an increase in share-based payments (\$83,961), an increase in foreign exchange loss (\$259,239), an increase in finance fees (\$120,832), and a change in fair value of the convertible debenture derivative (\$566,825). The increase in consulting fees is due from an increased activity level during the period. The increase in foreign exchange loss is due from the fluctuations of the United States dollar compared to the Canadian dollar which primarily relate to the US denominated convertible debenture. The increase in share-based payments is due from the vesting of 3,900,000 share purchase options granted October 31, 2018. The increase in finance fees pertains to the accretion of convertible debenture. The change in the convertible debenture derivative is due primarily from the change in fair value under current market conditions using the Black-Scholes model.

## Liquidity, Cash Flows and Capital Resources

	Period Ended January 31, 2019	Period Ended January 31, 2018
<b>Sources and Uses of Cash</b>		
Cash used in operations prior to changes in working capital	\$ (282,323)	\$ (239,641)
Changes in non-cash working capital	158,602	(76,375)
Cash used in operating activities	(123,721)	(316,016)
Cash used in investing activities	(70,714)	(51,473)
Change in cash and cash equivalents	\$ (194,435)	\$ (367,489)

### Operating Activities

For the six-month period ended January 31, 2019, cash used in operating activities, prior to changes in non-cash working capital, was \$282,323 compared to \$239,641 used during the six-month period ended January 31, 2018. The increase in cash used is due primarily to the variances as outlined under the “*Results of Operations*” section. For the six-month period ended January 31, 2019, non-cash working capital decreased by \$158,602, as compared to an increase of \$76,375 for the six-month period ended January 31, 2018. The decrease in non-cash working capital is primarily the result of an increase in accounts payable (\$151,283), a decrease in accounts receivable (\$6,878) and a decrease in prepaids (\$441). For the six-month period ended January 31, 2019, cash used in operating activities was \$123,721, compared to \$316,016 for the six-month period ended January 31, 2018.

### Investing Activities

For the six-month period ended January 31, 2019, cash used in investing activities was \$70,714 reflects expenditures on mineral property interests. For the six-month period ended January 31, 2018, cash used in investing activities was \$51,473 which reflects expenditures on mineral property interests, partially offset by the proceeds received from the sale of 114,000 Sama Resources Inc. shares for proceeds of \$34,570.

At January 31, 2019, the Company had working capital of (\$174,780) (July 31, 2018 - \$171,623) which consisted of current assets of cash totaling \$90,609 (July 31, 2018 - \$285,044); \$26,252 (July 31, 2018 - \$33,130) in receivables; and \$24,338 (July 31, 2018 - \$24,779) in prepaid expenses and deposits. Current liabilities include accounts payable and accrued liabilities of \$315,979 (July 31, 2018 - \$171,330).

The Company’s access to additional capital may not be available on terms acceptable or at all. As the Company relies on equity financings to continue into the future, current market conditions could make it difficult or impossible for the Company to raise necessary funds to meet its longer-term capital requirements. If the Company is unable to obtain financing, it could seek multiple solutions including, but not limited to, credit facilities, asset sales or debenture issuances.

The Company’s principal source of liquidity is cash which is raised by way of the sale of common shares from treasury.

## Annual Financial Information

The financial statements have been prepared in accordance with IFRS for fiscal years 2018, 2017 and 2016, and are expressed in Canadian dollars.

	Year Ended July 31, 2018	Year Ended July 31, 2017	Year Ended July 31, 2016
	\$	\$	\$
<b>Operations:</b>			
Revenues	-	-	-
Net income (loss)	(585,214)	5,998,154	(3,916,407)
Net income (loss) per share – Basic	(0.00)	0.04	(0.03)
Net income (loss) per share – Diluted	(0.00)	(0.00)	(0.03)
<b>Balance Sheet:</b>			
Working capital	171,623	864,797	2,724,588
Total current assets	342,953	961,519	3,072,620
Total liabilities	12,844,988	12,721,528	19,917,275

## Quarterly Financial Information

The following selected financial information is derived from the condensed interim consolidated financial statements of the Company prepared in accordance with IFRS.

Quarter ended	January 31, 2019	October 31, 2018	July 31, 2018	April 30, 2018	January 31, 2018	October 31, 2017	July 31, 2017	April 30, 2017
Revenue				\$ -	\$ -	\$ -	\$ -	\$ -
Net income (loss)	(110,298)	(668,282)	(300,257)	(601,664)	480,228	(163,521)	2,483,486	78,072
Basic Earnings per share (loss)	(0.01)	0.00	0.00	0.00	0.00	0.00	0.02	0.00
Diluted Earnings per share (loss)	(0.01)	0.00	0.00	0.00	0.00	0.00	0.00	0.00

## Related Party Disclosures

### (a) Transactions with key management personnel

During the period ended January 31, 2019, the Company paid or accrued consulting fees of \$150,000 (January 31, 2018 – \$87,500) and salaries, wages, office and sundry fees of \$9,000 (January 31, 2018 – \$9,000) to officers and companies controlled by officers and/or directors of the Company.

During the period ended January 31, 2019, the Company paid engineering and consulting fees of US\$Nil (January 31, 2018 - US\$35,857) to companies controlled by an officer or director of the Company. Of these fees, US\$Nil (January 31, 2018 - US\$4,000) has been capitalized under exploration and evaluation assets as the fees were incurred directly for exploration and evaluation projects.

As at January 31, 2019, \$293,573 (July 31, 2018 – \$139,813) is payable to companies controlled by officers and/or directors of the Company, which is included in accounts payable and accrued liabilities.

During the period ended January 31, 2019, the Company incurred share-based payments of \$59,404 (January 31, 2018 – \$Nil) to officers and directors of the Company.

### (b) Transactions with other related parties

As at January 31, 2019, \$2,473 (July 31, 2018 – \$1,098) is due from a Company with a director and officers in common. This amount is included in receivables.

In addition to the above:

On December 30, 2011, the Company entered into management services agreements with the following:

- Rock Management Consulting Ltd. for the services of Mr. Todd Hilditch to act as Terraco's President and Chief Executive Officer;
- Sandstone Consulting Ltd. for the services of Mr. Bryan McKenzie, CPA, CA, to act as Terraco's Chief Financial Officer.

The terms of the management services agreements are indefinite, but the engagement of the management consultant and the agreements may be terminated by either party.

On March 13, 2019, the Company issued an unsecured promissory note to a company controlled by an officer and director of the Company in the amount of \$75,000. The note bears interest at a rate of 10% per annum and is due on demand.

## Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

## Commitments

The Company has an operating lease commitment for office premises in Vancouver, British Columbia annual rent payments of \$38,219 to July 31, 2021, and annual rent payments of \$39,575 to July 31, 2023.

The Company has an operating lease commitment for office premises in Weiser, Idaho, requiring basic annual rent payments of US\$36,150 subject to the closing price of gold (COMEX) per ounce ("oz") payable to March 31, 2021 as follows:

Annual rent If the closing price of gold on the last trading day of each month exceeds US\$1,400/oz	US\$42,150
Annual rent If the closing price of gold on the last trading day of each month exceeds US\$1,800/oz	US\$48,150
Annual rent If the closing price of gold on the last trading day of each month exceeds US\$2,200/oz	US\$54,150

Minimum payments relating to the above commitments in each of the next five fiscal years are as follows (based on the closing price of gold of less than US\$1,400/oz):

2019	\$	42,966
2020	\$	85,734
2021	\$	69,764
2022	\$	39,575
2023	\$	39,575

## Conflicts of Interest

The Company's directors and officers may serve as directors and/or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act (British Columbia) ("Corporations Act") dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company.

## Outstanding Share Data

	Number of Shares Outstanding (Diluted)
Outstanding as at March 29, 2019	146,055,795
Shares reserved for issuance pursuant to share purchase options outstanding	13,551,000
Shares reserved for issuance pursuant to share purchase warrants outstanding	4,420,698
Shares outstanding - fully diluted	164,027,493

As at the date of this MD&A, the Company had outstanding stock options enabling holders to acquire common shares of the Company as follows:

Number	Price per share	Expiry date
5,051,000	\$0.16	June 9, 2019
4,050,000	\$0.12	November 26, 2020
300,000	\$0.18	August 15, 2021
250,000	\$0.13	December 29, 2021
3,900,000	\$0.07	October 30, 2023
13,551,000		

As at the date of this MD&A, the Company had outstanding share purchase warrants enabling holders to acquire common shares of the Company as follows:

Expiry date	Exercise price per share	Number
July 31, 2019	\$0.10	4,420,698
		4,420,698

### Industry Trends

Price of gold (1-year chart):



Price of gold (5-year chart):



Source: www.kitco.com

### Critical Accounting Estimates

The preparation of financial statements in conformity IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues (if applicable) and expenditures during the reporting period. Examples of significant estimates made by management include the determination of recoverability of amounts capitalized to exploration and evaluation assets, estimating the fair values of financial instruments, impairment of long-lived assets, reclamation and rehabilitation provisions, valuation

allowances for deferred income tax assets and assumptions used for share-based compensation. Actual results may differ from those estimates.

### Significant Accounting Policies Adopted

- (i) **IFRS 9 *Financial Instruments***. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single 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.
- (ii) **IFRS 15 *Revenue from contracts with customers***. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. The new standard will apply to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts.

### Future Accounting Policy Changes Issued but not yet in Effect

- (i) **IFRS 16 *Leases***. In January 2016, the IASB issued IFRS 16 which replaces IAS 17 – Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15.

### Risks and Uncertainties

The Company is in the business of acquiring and exploring mineral properties. It is exposed to a number of risks and uncertainties that are common to other mineral exploration companies in the same business. The industry is capital intensive at all stages and is subject to variations in commodity prices, market sentiment, exchange rates for currency, inflation and other risks. The Company currently has no source of revenue other than interest on cash balances. The Company relies mainly on equity financing to fund exploration activities on its mineral properties.

The risks and uncertainties described in this section are not inclusive of all the risks and uncertainties to which the Company may be subject.

#### Early Stage – Need for Additional Funds

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many risks common to other companies in the same business, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources, and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

#### Exploration and Development

Mineral exploration and development are a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but also from finding mineral deposits that, though present, are of insufficient size and/or grade to return a profit from production.

All of the mineral claims in which the Company has a right to acquire an interest are in the exploration stages only and are without a known body of commercial ore. Upon discovery of a mineralized occurrence, several stages of exploration and assessment are required before its economic viability can be determined. Development of the subject mineral properties would follow only if favourable results are determined at each stage of assessment. Few precious and base metal deposits are ultimately developed into producing mines.

### Operating Hazards and Risks

Mining operations involve many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. In the course of exploration, development and production of mineral properties, certain risks, and in particular unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes, may occur. Operations in which the Company has a direct or indirect interest are subject to all the hazards and risks normally incidental to exploration, development and production of mineral deposits, any of which could result in damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage.

Although the Company maintains liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which event the Company could incur significant costs that could have a materially adverse effect upon its financial conditions.

### Foreign Currency Exchange

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is considered to be in the exploration stage and has not yet developed commercial mineral interests, the underlying market prices in Canada for minerals are impacted by changes in the exchange rate between Canadian and United States Dollars. The Company has not entered into any arrangements to hedge its currency risk but does maintain cash balances within each currency.

### Supplies and Infrastructure

The Company's property interests are often located in remote, undeveloped areas and the availability of infrastructures such as surface access, skilled labour, fuel and power at an economic cost cannot be assured. These are integral requirements for exploration, production and development facilities on mineral properties. Power may need to be generated onsite.

### Metal Prices

The mining industry, in general, is intensely competitive and there is no assurance that a profitable market will exist for the sale of metals produced, even if commercial quantities of precious and/or base metals are discovered. Factors beyond the control of the Company may affect the marketability of metals discovered. Pricing is affected by numerous factors beyond the Company's control, such as international economic and political trends, global or regional consumption and demand patterns, increased production and smelter availability. There is no assurance that the price of metals recovered from any mineral deposit will be such that it can be mined at a profit.

### Title Risks

Although the Company has exercised the usual due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements, transfers or native claims, and title may be affected by undetected defects.

### Environmental Regulations Permits and Licenses

The Company's operations are subject to various laws and regulations governing the protection of the environment, exploration, development, production, taxes, labour standards, occupational health, waste disposal, safety and other matters. Environmental legislation in Nevada, Idaho and Arizona provide restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact statements. Environmental legislation is evolving in a direction of stricter standards and enforcement, and higher fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

The current operations of the Company require permits from various U.S. authorities and such operations are governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental, mine safety and other matters.

The Company believes that it is in compliance with all material laws and regulations which currently apply to its activities. However, there can be no assurance that all permits which the Company may require for its operations and exploration activities will be obtainable on reasonable terms, a timely basis or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake.

#### Competition and Agreements with Other Parties

The mining industry is intensely competitive in all its phases and the Company competes with other companies that have greater financial resources and technical capacity. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future.

The Company may, in the future, be unable to meet its share of costs incurred under such agreements to which it is a party and it may have its interest in the properties subject to such agreements reduced as a result. Also, if other parties to such agreements do not meet their share of such costs, the Company may not be able to finance the expenditures required to complete recommended programs.

#### Economic Conditions

Unfavourable economic conditions may negatively impact the Company's financial viability. Unfavourable economic conditions could also increase the Company's financing costs, decrease net income or increase net loss, limit access to capital markets and negatively impact the availability of credit facilities to the Company.

#### Dependence on Management

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result and other persons would be required to manage and operate the Company.

#### **Corporate Governance**

Management of the Company is responsible for the preparation and presentation of the condensed interim and annual consolidated financial statements and notes thereto, MD&A and other information contained in this MD&A. Additionally, it is management's responsibility to ensure the Company complies with the laws and regulations applicable to its activities.

The Company's management is held accountable to the board of directors ("Directors"), each member of which is elected annually by the shareholders of the Company. The Directors are responsible for reviewing and approving the audited consolidated annual financial statements and MD&A. Responsibility for the review and approval of the Company's annual consolidated financial statements and MD&A is delegated by the Directors to the Audit Committee, which is comprised of 3 directors, 2 of whom are independent of management. Additionally, the Audit Committee pre-approves audit and non-audit services provided by the Company's auditors.

The external auditors are appointed annually by the shareholders to conduct an annual audit of the financial statements in accordance with IFRS. The external auditors have complete access to the Audit Committee to discuss the audit, financial reporting and related matters resulting from the annual audit, as well as assist the members of the Audit Committee in discharging its corporate governance responsibilities.

#### **Cautionary Statement**

The Company's unaudited condensed interim consolidated financial statements for the period ended January 31, 2019, and this accompanying MD&A contain statements that constitute "forward-looking statements" within the meaning of National Instrument 51-102, *Continuous Disclosure Obligations* of the Canadian Securities Administrators. Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions. Forward-looking statements in this MD&A include statements regarding the Company's future exploration plans and expenditures, the satisfaction of rights and performance of obligations under agreements to which the Company is a part, the ability of the Company to hire and retain employees and consultants and estimated administrative assessment and other expenses. The forward-looking statements that are contained in this MD&A involve a number of risks and uncertainties. As a consequence, actual results might differ materially from results forecast or suggested in these forward-looking statements. Some of these risks and uncertainties are identified under the heading "RISKS AND UNCERTAINTIES" in this MD&A. Additional information regarding these factors and other important factors that could cause results to differ materially may be referred to as part of particular forward-looking statements. The forward-looking statements are qualified in their entirety by reference to the important factors discussed under the heading

“RISKS AND UNCERTAINTIES” and to those that may be discussed as part of particular forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause the actual results to differ include market prices, exploration success, continued availability of capital and financing, inability to obtain required regulatory approvals and general market conditions. These statements are based on a number of assumptions, including assumptions regarding general market conditions, the timing and receipt of regulatory approvals, the ability of the Company and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking 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 statements.

#### **Other Information**

Additional information relating to the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com) and at the Company’s web site [www.terracogold.com](http://www.terracogold.com).

**Approved by the Audit Committee**

**March 23, 2019**