



## **GRANADA GOLD MINE INC.**

---

### **Management's Discussion and Analysis**

**For the three months ended September 30, 2020**

**Granada Gold Mine Inc.**  
**Management's Discussion and Analysis of Financial Results**  
**For the three months ended September 30, 2020**

The following Management's Discussion and Analysis ("MD&A") is a review of the operations, current financial position and outlook of Granada Gold Mine Inc. ("Granada" or the "Company"), and it has been prepared by management and should be read in conjunction with the financial statements of Granada for the period ended September 30, 2020 and the related notes thereto, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). The discussion covers the period ended September 30, 2020 and up to the date of filing of this MD&A. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. All amounts are stated in Canadian dollars unless otherwise indicated.

This MD&A contains forward-looking information. See "Forward-Looking Information" and "Risks and Uncertainties" for a discussion of the risks, uncertainties and assumptions relating to such information.

For further information on the Company reference should be made to the Company's public filings which are available on SEDAR website ([www.sedar.com](http://www.sedar.com)).

**Granada Gold Mine Inc.**  
**Management's Discussion and Analysis of Financial Results**  
**For the three months ended September 30, 2020**

**FORWARD-LOOKING INFORMATION**

This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words “anticipate”, “believe”, “estimate”, “expect” and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of the Company's exploration properties. Such reflect the current views of the Company with respect to future events and are subject to certain statements risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Aside from factors identified in the annual MD&A, additional important factors, if any, are identified here.

**DESCRIPTION OF BUSINESS**

Granada is a junior natural resource company whose business is to seek out exploration opportunities with a focus on the Granada Gold Mine in Rouyn-Noranda, Quebec. Operations are conducted either directly or through consulting agreements with third-parties. The Company finances its properties by way of equity or debt financing or by way of joint ventures. Additional information is provided in the Company's audited financial statements for the year ended June 30, 2020. These documents are available on SEDAR at [www.sedar.com](http://www.sedar.com). The Company also maintains a website at [www.granadagoldmine.com](http://www.granadagoldmine.com).

The Company is a reporting issuer in the Provinces of British Columbia and Alberta, and trades on the TSX Venture Exchange (“TSXV”) under the symbol GGM, the US OTC market under the symbol GBBFF and the Frankfurt Stock Exchange under the symbol B6D-FRA.

The corporate office of the Company is located at 3028 Quadra Court, Coquitlam, BC V3B 5X6.

**Granada Gold Mine Inc.**  
**Management's Discussion and Analysis of Financial Results**  
**For the three months ended September 30, 2020**

Novel Coronavirus ("COVID-19")

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

**CORPORATE**

***Financings***

On September 27, 2019, the Company closed a private placement in which it issued 9,253,800 units at \$0.10 for gross proceeds of \$925,380. Each unit is comprised of one common share and one common share purchase warrant exercisable at \$0.15 for a period of three years.

On January 3, 2020 the Company closed a private placement financing raising gross proceeds of \$200,000. A total of 2,000,000 units were issued with each unit consisting of one common share in the capital of the Company and one share purchase warrant. Each warrant entitles the holder to purchase one share of the Company for a period of two years from closing at an exercise price of \$0.15 cents per share.

On May 8, 2020, the Company closed the first tranche of its non-brokered private placement financing raising gross proceeds of \$818,000. A total of 8,180,000 units were issued at \$0.10 per unit. Each unit consists of one common share in the capital of the Company and one share purchase warrant. Each warrant entitles the holder to purchase one share of the Company for a period of two years from closing at an exercise price of \$0.12 cents per share.

On May 12, 2020, the second and final tranche of its non-brokered private placement financing raising additional proceeds of \$382,000 by the issuance of 3,820,000 units at a price of \$0.10 per unit. The Company has raised total of \$1,200,000 in both tranches. Each unit consists of one common share in the capital of the Company and one share purchase warrant. Each warrant entitles the holder to purchase one share of the Company for a period of two years from closing at an exercise price of \$0.12 cents per share.

Certain director of the Company participated in this private placement by acquiring 825,000 units for \$82,500.

Finder's fees were paid in connection with the private placement in the amount of \$25,715 cash and 157,150 broker warrants on the same terms as the private placement warrants.

On July 21, 2020, the Company closed a flow-through private placement financing raising gross proceeds of \$800,000. The Company issued 3,200,000 flow-through shares at a price of \$0.25 per flow-through share. Finder's fees totaling \$56,000 in cash and 224,000 finder warrants were paid in connection with the financing. Each finder warrant is exercisable at \$0.25 per share for two years from closing.

**Granada Gold Mine Inc.**  
**Management's Discussion and Analysis of Financial Results**  
**For the three months ended September 30, 2020**

In August and September 2020, the Company closed a private placement financing raising gross proceeds of \$910,000. The Company issued 3,956,521 units at a price of \$0.23 per unit. Each unit is comprised of one common share of the Company and one warrant to acquire one common share of the Company at an exercise price of \$0.28 for a period of three years. Finder's fees totaling \$57,968 in cash and 252,035 finder warrants were paid in connection with the financing. Each finder warrant is exercisable at \$0.28 per share for three years from closing

***Exploration and Evaluation Projects***

Granada Property

In total, the Company currently retains rights to 2 mining leases and 50 mining claims for a cumulative total of 1474 hectares. The mining leases are subject to a 2% GMR, of which half may be purchased for \$1,000,000 and a 1% NSR and 23 of the mining claims are subject to a 1% NSR.

The Granada deposit is a quartz-vein mesothermal gold deposit hosted by late Archean Timiskaming sedimentary rock and younger syenite porphyry dykes. The dykes belong to a late tectonic suite that hosts the mesothermal gold mineralization in the Kirkland Lake and Timmins gold camps in Ontario and in Duparquet, north of Rouyn-Noranda, in Quebec.

Gold mineralization is hosted by east-west trending, smokey-grey, fractured quartz veins and stringers. Free gold occurs at vein margins or within fractures of the quartz veins or sulphides. Late northeasterly-trending, sigmoidal faults also host high-grade gold mineralization.

As of the date of this report, mineralization at the Granada gold mine remains open to the east and west and consistently to depth, down-dip to the north.

In 2007, the Company processed a bulk sample of 140,000 tonnes from an open pit at the Granada site of which 30,000 tonnes was milled using an on-site mill. The average gold grade from this large sample was 1.62 g/t with a 90-per-cent rate of recovery realized. The waste from this bulk sample, along with stockpiled waste from past bulk sampling programs from previous operators at Granada, was also assayed returning a grade of 1.75 g/t gold. These results confirmed the presence of gold mineralization between the known individual east-west trending vein structures. All core drilled from 2009 through 2012 was analyzed to determine whether there is sufficient grade between the higher-grade vein structures to allow for bulk, open pit extraction.

The first four phases of the drill campaign between Dec 2009 and May 2012 totalled just under 90,000 metres drilled. A table of highlights from all drilling can be found below. Most of the drill holes have been drilled close to perpendicular to the veins. The core length is, in general, 85% to 90% of the true width for the holes drilled south-southwest.

**Granada Gold Mine Inc.**  
**Management's Discussion and Analysis of Financial Results**  
**For the three months ended September 30, 2020**

Drill Hole	From (m)	To (m)	Interval (m)	Weighted grade g/t Au
<b>PHASE 1 HIGHLIGHTS</b>				
GR-09-02	15.50	48.00	32.50	1.78
including	40.70	41.00	0.30	96.60
GR-09-05	92.00	123.00	31.00	0.92
GR-09-06	36.00	52.50	16.50	1.22
GR-09-08	17.00	68.00	51.00	0.93
GR-10-12	4.30	87.00	82.70	0.90
GR-10-13	32.20	59.95	27.75	1.27
GR-09-15	73.20	147.00	73.80	0.88
GR-10-17	3.50	102.70	99.20	0.95
including	3.50	69.00	65.50	1.21
GR-10-18	37.50	56.50	19.00	1.02
<b>PHASE 2 HIGHLIGHTS</b>				
GR-10-33	23.00	146.50	123.50	1.07
GR-10-41	3.65	153.00	149.35	0.83
including	54.90	130.00	75.10	1.50
GR-10-53	5.00	112.50	107.50	1.37
including	8.00	73.30	65.30	2.14
GR-10-55	86.64	304.14	217.50	0.95
including	86.64	271.43	184.79	1.06
GR-10-79	22.50	185.00	162.50	0.88
GR-10-99	3.50	87.00	83.50	0.98
GR-10-104	3.00	231.00	228.00	0.51
GR-10-108	117.58	259.28	141.70	0.70
including	184.84	259.28	74.44	1.06
GR-10-113	22.97	252.92	229.95	0.93
including	232.50	233.59	1.09	162.75
GR-10-117	3.00	201.00	198.00	0.74
including	4.60	77.50	72.90	1.02
GR-10-126	29.10	85.05	55.95	1.01
GR-10-128	3.00	116.50	113.50	0.55
including	55.50	116.50	61.00	0.81
including	60.00	61.50	1.50	15.70
GR-10-130	2.00	96.00	94.00	1.03
GR-10-138	116.00	171.50	55.50	0.77
including	116.00	125.00	9.00	2.16
GR-10-141	3.00	279.00	276.00	0.52
<b>PHASE 3 HIGHLIGHTS</b>				
GR-10-153	3.90	139.00	135.10	0.62

**Granada Gold Mine Inc.**  
**Management's Discussion and Analysis of Financial Results**  
**For the three months ended September 30, 2020**

including	3.90	80.10	76.20	0.99
including	3.90	4.90	1.00	54.98
GR-10-157	45.50	116.50	71.00	1.06
including	56.50	61.00	4.50	3.75
including	69.00	70.00	1.00	44.80
GR-10-169	9.00	117.00	108.00	0.64
including	51.00	115.50	64.50	1.03
GR-10-173	117.75	356.00	238.25	0.52
including	253.50	333.50	80.00	1.36
GR-10-178	193.00	376.50	183.50	0.50
GR-10-179	3.00	159.00	156.00	0.61
including	50.75	123.00	72.25	1.25
GR-10-189	99.50	170.40	70.90	1.06
GR-11-199	60.00	146.00	86.00	1.20
including	60.00	61.00	1.00	63.50
and including	129.75	146.00	16.25	1.86
GR-11-200	50.50	156.50	106.00	0.81
GR-11-216	1.50	57.60	56.10	0.56
GR-11-223	3.40	54.00	50.60	0.56
GR-11-231	174.50	227.00	52.50	0.52
GR-11-235	2.20	150.00	147.80	0.50
including	6.50	96.00	89.50	0.78
GR-11-237	42.00	130.00	88.00	0.50
GR-11-256	75.00	173.00	98.00	1.21
including	139.00	168.50	29.50	2.34
GR-11-271	24.55	207.50	182.95	1.11
including	24.55	25.30	0.75	207.27
and including	71.50	72.50	1.00	13.71
and including	206.00	207.50	1.50	10.49
and including	206.00	258.00	52.00	0.79
GR-11-287	104.00	173.50	69.50	1.05
including	110.40	111.30	0.90	30.03
and including	122.50	123.00	0.50	38.75
and including	172.60	173.50	0.90	15.79
and including	129.60	146.00	16.25	1.86

The Company completed a 450 metres trenching program during the summer of 2013 that was undertaken to further evaluate the near-surface mineralized zones of the potential open pit at the Granada Gold Mine. Assays from channel samples taken from the trenched areas varied from 22.42 g/t Au over 1.04 metres to 0.01 g/t Au over 0.82 metres. The higher grades were from samples in the eastern section of the extended LONG Bars zone. Significant visible gold was also encountered very near surface at a depth of 10 centimetres in the western area of trenching.

**Granada Gold Mine Inc.**  
**Management's Discussion and Analysis of Financial Results**  
**For the three months ended September 30, 2020**

In September 2014, approximately 600 metres of additional trenching in 6 trenches was completed immediately east of Pit 2A. Bedrock was uncovered with the majority of the work conducted as continuous channel sampling. The program was carried out by Technominex and supervised by L. Caron, Géo. GoldMinds Geoservices Inc.

A total of 334 channel samples were assayed for gold by Accurassay Laboratory in Rouyn-Noranda with fire assay SAA/PCI method on 30 gram samples and by gravimetric method on 50 gram samples for those samples with more than 10g/t Au. QA/QC: samples were 1m long with a standard inserted every 20 samples, and a blank inserted every 40 samples.

Gold mineralization was identified within the quartz veinlets through the syenite porphyry and the conglomerate of the Granada Formation in the Temiskaming Group. The conglomerate shows a chlorite alteration in the footwall of the mineralized zone that is rather sericitic and ankeritic. Trenching work outlined the mineralization zones that were cut by the previous diamond drill holes and provided important information in terms of where to commence upcoming surface mining operations within the context of the PFS.

In 2015, three trenches were completed in the area covering the smallest proposed pit located furthest west with channel sampling from the middle trench, TR15-11, returning 6.05 g/t Au over 8 metres including 14.98 g/t Au over 3 m (Press Release April 22, 2015). Surface channel sampling grades confirmed the continuity of the near-surface, drill-intersected mineralization over a potential strike length of 3.5 kilometres from the western to the eastern trenches – this is a very positive development within the rolling start mining plan.

A program of approximately 2500m additional diamond drilling was completed in October 2016. This drill program was designed to test several target areas. One of these areas was the Aukeko West and Pontiac vein systems located approximately 500 metres west of the historical Aukeko Shaft and 2,000 metres east of the historical Granada shafts. This Aukeko area had not yet been explored by Granada Gold Mine Inc. Other drill holes in 2016 focused on the areas closer to the historic pit areas which had been recently stripped and reported as showing visible gold up to 2 centimetres long (Press release September 28, 2016) as well as another area identified in stripping. Two holes were drilled near the northern boundary of the property to test the Syncline vein where a historical grab sample in 1992 averaged 0.357 ounces (11.1 grams) per tonne (Press Release September 8, 2016).

The Company announced on May 26, 2016 that it had received its Certificate of Authorization "C of A" from Quebec's Government of Environment (MDDELCC) for gold mining at the Granada property for 75,000 ounces of near-surface, high-grade gold at a cash cost of US \$797 per ounce. The MDDELCC is now satisfied that the Company has answered all prerequisite questions, submitted all requested studies, all of which have now been reviewed with the file deemed to be in order (Press Release May 26, 2016).

Sound studies, completed in 2014, measured average noise levels at three stations between 700 and 900 metres from the proposed Mousseau Pit at 40db to 50db during the night and at 45db to 55db during the day with no mining activity taking place. Installation of water and air monitoring stations has been completed and are in operation.

The 480,000-tonne historic waste rock dump material was processed and screened in 2010 and 2011 for valorization as part of the Company's Voluntary Rehabilitation initiative. This process commenced in 2010 as preliminary work for sound barrier construction that will proceed when the area is cleared.

**Granada Gold Mine Inc.  
Management's Discussion and Analysis of Financial Results  
For the three months ended September 30, 2020**

The sound barrier will contain and reduce noise from mining activity to shield the nearest neighbours approximately 700 metres south of the initial pit. The rest of the land between these neighbours and the pit is a dense boreal forest that will also buffer noise and act as a natural dust filter.

Some of this screened material has since been used to stabilize drill trails, minimize soil damage and to improve recreational trails on the property. As part of the preparation for production and in consideration of the changes to long-standing trail permissions, the Company voluntarily moved the trails to allow local long-term recreational users affected by the changes to continue using Granada land for leisure pursuits.

A Communication Protocol Agreement has been signed between The Company and Temiskaming First Nations (TFN) to facilitate and ensure timely, effective and transparent communications moving forward (see Company Press Release August 26, 2014). This Communications Protocol is for the purposes of establishing a positive working relationship based on mutual respect concerning the Granada Mine project and any other Company mining activities located on the TFN's traditional territory. The Communications Protocol Agreement is intended to serve as a framework to develop a more specific agreement.

More recently, a Memorandum of Understanding (MOU) was signed between the Temiskaming First Nations and Granada Gold Mine Inc. to work together moving forward towards a rolling production start at Granada (see Company Press Release January 30, 2015).

Also, of note in 2017, the Company signed an LOI with Temagami First Nation (TFN) and Teme-Augama Anishnabai (TAA) that would provide Granada Gold Mine the opportunity to evaluate brownfield sites on TFN's/TAA's traditional territory for the potential of redevelopment.

With initial stripping in the summer and fall of 2016, a new high-grade mineralized zone was uncovered with visible gold found on surface (Press Release September 28, 2016). The zone, associated with the feldspar porphyry, is in a quartz vein zone up to 3 metres thick and has been noted over 125-metre strike length. A 5-tonne mini bulk sample was taken by breaking the rock with a hydraulic hammer on an excavator then taking grab samples arbitrarily every 0.5 metre along 3 lines across the zone with lines spaced approximately 10 metres apart. Samples from each line were sampled separately as described in the press release. A total of 9 samples were assayed giving results ranging from 1.1 to 13.3 g/t gold with an average of 4.37 g/t gold.

A drill program of 2500 metres was initiated in September 2016 initially targeting the new mineralized zone as well as the western end of the Aukeko zone, resulting in the following early highlights from a press release on November 9, 2016.

GR-16-03 intersects 3.62 g/t Au over 15m including 43.58 g/t Au over 1m
GR-16-11 intersects 5.67 g/t Au over 2m including 9.31 g/t Au over 1m
GR-16-12 intersects 9.25 g/t Au over 3m including 24.99 g/t Au over 1m

The drill program was extended to include an additional 8000 metres targeting a significant resource expansion in the northern part of the Granada property (press release December 2, 2016). Hole GR-16-14, the first deep hole of this program, intersected one of the best intersections at depth on the property to date with 14.5 g/t Au over 4.0m including 55.9 g/t Au over 1.0m at a depth of 881 metres and 7.3 g/t over 1m at 710 metres downhole.

**Granada Gold Mine Inc.**  
**Management's Discussion and Analysis of Financial Results**  
**For the three months ended September 30, 2020**

As part of this program, the company drill tested the thickness of mineralization under the porphyry intrusion between the old Pit #1 and the 2014 proposed pit. The Company successfully intersected mineralization in two zones near the surface in this area that had not been included in previous resource estimates. These intersections provide confirmation of the new mineralization model associated with the intrusive dykes similar to Canadian Malartic mine as well as the Barry and Windfall models (Press Release February 28, 2017).

The "heat engine" for Granada mineralization is believed to exist in the northwest part of the property, a high priority untested area now referred to as the "Genesis Target" that includes a large granite intrusion and intense shearing immediately south of the Cadillac fault.

As of the effective date of November 11, 2018 (report date of February 13, 2019), the current resource at the Company's Granada Gold project in Rouyn-Noranda, Quebec is detailed in the report filed on SEDAR, a technical report compliant with National Instrument 43-101 titled, "Granada Gold Project Mineral Resource Estimate Rouyn-Noranda, Quebec, Canada." The report, written by Independent Qualified Persons Allan Armitage, PhD, P.Geo, and Maxime Dupere, BSc, P.Geo. of SGS Canada Inc. provides support for the following resource estimate:

**Current Resources: 2019 Pit-Constrained Resource Estimate**

Category	Tonnes	Grade (g/t Au)	Contained Gold (oz.)
Measured	12,637,000	1.02	413,000
Indicated	9,630,000	1.13	349,000
M&I Total	22,267,000	1.06	762,000
Inferred	6,930,000	2.04	455,000

In late Fall 2018, Granada Gold completed a 4-hole drill program totaling 2,889m. Holes GR-18-01 and GR-18-03 targeted the down-dip extension of gold mineralization below the Pit-Constrained resources. Hole GR-18-03 intersected multiple gold-bearing quartz veins between 564 and 680 metres downhole, exhibiting similar character to the veins typically exposed at surface within the stripped area. Hole GR-18-01 intersected a high-grade zone at around 270 metres from surface, associated with a silicified zone with disseminated pyrite within the conglomerate unit.

Drill holes GR-18-04 and GR-18-05 tested a new magnetic anomaly in the North-West part of the property, outside the known resource envelope. Hole GR-18-04 confirms the presence of a new gold-bearing area northwest of the Pit-Constrained resources, hosted in a strong, reddish (hematised), silicified conglomerate with disseminated sulfides and visible gold (VG).

**Selected Drill Hole Assay Results**

Hole Name	From (m)	To (m)	Length (m)	Au g/t	Type
GR-18-01	365.00	368.00	3.00	8.15	FA
including	366.00	367.00	1.00	23.30	FA
GR-18-01	495.00	500.00	5.00	1.10	FA
GR-18-01	517.00	520.00	3.00	1.75	FA
GR-18-01	525.00	528.00	3.00	2.30	SM
including	525.00	526.00	1.00	4.12	SM
GR-18-01	551.00	552.00	1.00	3.75	FA

**Granada Gold Mine Inc.**  
**Management's Discussion and Analysis of Financial Results**  
**For the three months ended September 30, 2020**

GR-18-03	572.00	578.00	6.00	8.39	FA
including	573.00	577.00	4.00	12.42	FA
including	573.00	574.00	1.00	45.70	FA
GR-18-03	564.00	570.00	6.00	1.05	FA
including	569.00	570.00	1.00	3.32	FA
GR-18-03	613.00	614.00	1.00	1.09	FA
GR-18-03	686.00	687.00	1.00	1.36	FA
GR-18-04	660.00	664.00	4.00	5.45	SM
including	662.00	663.50	1.50	13.70	SM
including	662.50	663.00	0.50	37.30	SM
GR-18-04	367.00	368.00	1.00	1.48	FA

Core length, not capped FA=Standard Fire assay, SM Screen Metallic 1kg

In August 2019, the Company started a short drill program. Three surface-outcropping, mineralized structures have been defined. Drilling was to be completed, all within 150 metres of surface, to assess near-surface mineralization within the two-kilometer extended LONG Bars zone of the potential 5.5-kilometer long, east-west-trending mineralized structure.

Initial results were reported in a press release on October 15, 2019. The 450-meter drill program focused on testing the gold grade continuity and variability within mineralized structures. Six holes were drilled to test for near surface high-grade mineralization. Coarse, native gold was observed in the drill core.

GR-19-E intersected a high-grade zone with 12.32 g/t Au over 2 m including 48.80 g/t over 0.50 m at a core length depth of 35.5 metres on the extended LONG Bars zone.

GR-19-C intersected a high-grade zone with 7.67 g/t Au over 15 m of core length from 18.5 m to 33.5 m downhole on the extended LONG Bars zone.

GR-19-B intersected 3.41 g/t Au over 6.0 m from surface down to 6.0. The mineralized zone is composed of smoky quartz veins adjacent to a porphyry dyke intruded by multiple quartz veinlets south of the altered sheared conglomerate (Press Release November 6, 2019).

The company further reported, in a press release January 9, 2020 additional highlights from Hole GR-19-A which was drilled down-dip from a surface exposure of the mineralized zone composed of a massive quartz vein within a sheared and altered conglomerate adjacent to feldspar porphyry to the south. The entire mineralized zone has a 9-meter horizontal thickness in that sector. GR-19-A was drilled at azimuth 21 degrees North with a dip of 41 degrees in NQ core size.

Hole GR-19-A intersected 11.45 g/t over 33.0 metres from 0 to 33 m core length including high-grade intercepts of 42.5 g/t over 1.5 m from 0 to 1.5 m, plus 480 g/t over 0.4 m from 8.1 to 8.5 m, and another of 70.8 g/t over 0.5 m from 31.9 to 32.4 m. The horizontal width, based on outcrop, is about 9 metres and true width is estimated at 6.3 metres. The core length reported is estimated to have intersected only 15-20% of the entire thickness of the zone. However, it is a real known extent in that direction down dip of gold mineralization within the intersected length. Assays are uncut except where indicated.

**Granada Gold Mine Inc.**  
**Management's Discussion and Analysis of Financial Results**  
**For the three months ended September 30, 2020**

A further 50 m strike length of stripping uncovered a massive mineralized quartz zone exposing strong veining with visible gold on surface.

These preliminary results highlight the potential of near-surface, high-grade mineralization and continue to support higher grades that are in line with historic production grades of 8 to 10 g/t gold when it was mined in the 1930s from the two shafts and with later open pit grades from 5 to 3.5 g/t gold. The Company's earlier drill programs were designed to define structures. Drill holes intersected the mineralized structure perpendicularly. This recent program was designed to unlock the higher-grade potential of mineralized intersections near surface identified from previous drill holes.

As reported March 2, 2020, Granada Gold Mine continued to intersect near-surface, high-grade gold with follow-up drilling. The company intersected two near-surface, mineralized zones grading 11.53 g/t Au over 2.9 m at core length 65.85 – 68.75 metres and 2.61 g/t over 24.7 metres at core length 25.5 – 50.2 metres in hole GB-19-SA. This drill hole is 77 metres to the south of GR-19-A which intersected 11.45 g/t Au over 33.0 m core length (see Granada news release dated January 9th, 2020). The GR-19-A hole zone is 6 metres true width. The continuing near-surface drilling program has begun to unlock the excellent potential for defining further high-grade intersections within the recently explored 2-km LONG Bars Zone of the five-and-a-half-kilometer Granada Shear zone which trends East-West on the property.

Two additional drill holes from the 450 meter 2019 follow-up drill program also intersected near-surface, high-grade mineralization from the recent 50-meter on-strike stripping program which uncovered a massive quartz zone exposing strong veining and visible gold on surface. Drill hole GR-19-WB, collared 19 metres Northwest from GR-19-A, intersected 4.83 g/t Au over 6 metres at core length of 16-22 metres and drill hole GR-19-G, 240 metres East-Southeast from GR-19-A, intersected two zones grading 2.82 g/t Au over 6.65 metres at a core length of 40.5-46.75 metres and 2.28 g/t Au over 5 metres at a core length of 68-73 metres. The B and G zones are 4.5 metres and 4 metres true width, respectively.

In 1994, Granada Gold Mine Inc. extracted a bulk sample of 87,311 tonnes from surface grading 5.17 g/t gold from Vein 1 containing 451,397.87 grams (13,167.97 troy ounces) gold. The current drill program is east of, and on strike with Pit 1 which was taken from East-West-trending Vein 1. This recent drilling confirms the extension of Vein 1 from Pit 1 for 500 metres east to hole GR-19-E which intersected 2.0 metres grading 12.3 g/t Au (see company press release dated October 15, 2019). The Vein 1 zone is open to the east and is within the 5.5-kilometer East-West mineralized structure.

Drill programs in 2019 focused on testing the gold grade continuity and variability within mineralized structures (refer to holes GR-19-A to GR-19-F above, as well as the follow-up holes). Coarse, native gold was observed in the drill core of hole GR-19-E which intersected a high-grade zone with 12.32 g/t Au over 2 metres core length at a depth of 35.5 metres on the extended LONG Bars zone (refer to Oct 15, 2019, news release). The core length reported is estimated to have intersected 85-90% of true thickness of the zone. Assays are uncut except where indicated. It is important to note that the current NI 43-101 resource calculation by SGS (press release February 13, 2019) does not include the above mineralized zone as it was recently uncovered by stripping for a water sump.

As reported July 2, 2020, Tetra Tech has begun a gap analysis to amend our current Certificate of Authorisation for an on-site mill at Granada. Tetra Tech is a leading provider of consulting and engineering services. The Company supports government and commercial clients by providing

**Granada Gold Mine Inc.**  
**Management's Discussion and Analysis of Financial Results**  
**For the three months ended September 30, 2020**

innovative solutions focused on water, environment, infrastructure, resource management, energy, and international development. This work is on-going.

Innovexplo, established in 2003, is a company whose mission is to contribute, in an innovating, objective and efficient manner, to the evolution of mining projects by offering a complete and integrated range of dependable and top-quality services at each phase of exploration and mining operations. In this vein, Granada Gold Mine has retained their services (see press release July 16, 2020) to begin a revised 43-101 Resource Study to include the recent drilling that has identified significant high-grade mineralization near-surface. As Granada Gold Mine is currently drilling key holes to increase underground resource quality below existing pit-constrained mineral resources, the company has decided that a revised 43-101 should be undertaken at this stage to better reflect the potential of the resource.

Granada Mine undertook a grab sample of about 1,000 kilograms of mineralized material containing visible gold in the vicinity of hole GR-19-A which was drilled in 2019 from surface. The interval from zero to 33 metres core length returned 11.45 g/t Au. Visible gold was present in the core. True width is estimated at 6.3 metres (see January 9, 2020 news release). The sample was sent to Testing Laboratories in Cobalt, Ontario for gravity gold recovery.

This grab sample was taken over a 3-metre strike length. A total of 1,220 kilograms of mineralized material was taken from Vein No 1 structure where diamond drill hole GR-19-A intersected 11.45 g/t gold from 0 to 33 metres core length (refer to January 9, 2020, news release). The 1,220-kg sample returned a calculated grade of 55.6 g/t from the native gold component. The sample was processed at Temiskaming Testing Labs in Cobalt, Ontario. Conventional gravity concentration was used and therefore only native gold was recovered and quantified. The gold-bearing sulfides were not recovered (Press release, August 11, 2020). The native gold component has been defined for the Granada Gold Mine to represent an average of 50% percent of the recoverable gold from the mineralized deposit (43-101 Technical Report dated February 13, 2019 on the Granada Gold Project Mineral Resource Estimate, Rouyn Noranda, Quebec authored by the Qualified persons, Allan Armitage, Ph. D., P. Geo and Maxime Dupere, B.SC., Geo both of SGS Canada Inc. – Section 13.1).

The mineralized structure has been traced on surface for over 115 metres on east-west trend by stripping. And stripping continues to the west along strike. The structure extends over 500 metres when we connect the pierce points with the drill holes. Historically, the mill grades at Granada Mine were higher than drill grades. This is common with high-grade native gold concentration deposits on the Cadillac Trend - as it is with this deposit. The 1,220-kg sample returned 4 times the drill grade of the core – using only the native gold component.

An additional bulk sample is to be taken at this location to further quantify the grade of the mineralized material. The bulk sample is to be processed at Temiskaming Testing Labs, Cobalt, Ontario.

Additional drill results from beneath the pit-constrained mineral resource were released on September 30, 2020 by the Company including highlights:

- 5.64 g/t gold over 6.86m in GR-20-10 from 364.64 to 371.50m
- 4.26 g/t gold over 4.50m in hole GR-20-13 from 290.50 to 295.00m

**Granada Gold Mine Inc.**  
**Management's Discussion and Analysis of Financial Results**  
**For the three months ended September 30, 2020**

The Company completed the 6,000-meter drill program and has begun another 6,000-meter drill program with 2 drills on site. All drill holes intercepted mineralization which will be used in the updated resource calculation currently being completed by Innovoexplor.

Assay results from below pit-constrained mineral resource (press release September 30, 2020):

Hole ID	From (m)	To (m)	Length (m)	Gold (g/t)
GR-20-10	364.64	371.50	6.86	5.64
Including	364.64	365.84	1.20	4.47
Including	370.00	371.50	1.50	20.40
GR-20-11	292.50	294.00	1.50	3.37
GR-20-12	338.70	341.70	3.00	3.07
Including	339.70	340.20	0.50	14.40
GR-20-13	290.50	295.00	4.50	4.26
Including	292.00	293.50	1.50	11.90
GR-20-14	304.90	306.00	1.10	4.51
AND	324.15	324.65	0.50	11.65
AND	430.90	431.40	0.50	5.92
AND	445.30	446.80	1.50	4.41
GR-20-16	356.66	360.15	3.47	2.87
Including	358.16	359.16	1.00	7.17

Lengths stated are core length and are close to true widths, no capping applied. Au is Gold by Fire assay, or by gravimetric finish or screen metallic method. The assays are still pending for holes GR-20-15 and GR-20-17.

The drill hole data under the pit-constrained resource could potentially change the economics of developing the Granada Mine Property. The property was previously explored as a low-grade, open-pit deposit but the company now envisions an initial open pit with a ramp from the bottom of the pit into the higher-grade mineralization below, significantly adding more ounces to the current resource.

Holes GR-20-10 through GR-20-13 were drilled in front of (collared to the south of) GR-11-384 to enable definition of an underground mineral resources panel in that sector. GR-11-384 intersected 3.05m at 35.76 g/t Au at 425.45m. This interval is 225m up dip of GR-18-03 which intersected 8.0m at 6.65 g/t Au at a depth of 569m in vein 2 (footwall vein historical labelling within the LONG Bars Zone.)

Holes GR-20-14 and GR-20-15 were drilled 50 metres to the north of GR-11-377 to enable definition of underground mineral resources in that sector. GR-11-377 previously intersected the 3 veins: Vein 1, Vein 3 & Vein 2(foot wall) with high-grade individual assays of 3.64 g/t Au over 1.5m at 265.5m, 14.37g/t Au over 1.5m 328.5m, and 6.65 g/t Au over 1.3m at 429.7m.

Holes GR-20-16 and GR-20-17 were then drilled on the same set-up as GR-11-393 with different dips to enable definition of underground mineral resources in that sector. GR-11-393 had intersected the 3 veins: Vein 1, Vein 3 & Vein 2 (foot wall) with high-grade individual assays of 12.14 g/t Au over 0.5m

**Granada Gold Mine Inc.**  
**Management's Discussion and Analysis of Financial Results**  
**For the three months ended September 30, 2020**

at 277.5 metres, 9.76g/t Au over 1.0m at 318.0 metres, and 12.73 g/t Au over 1.3m at 425.5m. As noted, assay results from GR-20-15 and GR-20-17 have not yet been received but will be disclosed once validated and interpreted. A total of 5,841.77 metres were drilled. The information contained in the September 30, 2020 press release covers both completed and partial results for 3,664 metres of drilling.

Subsequent to June 30, 2020, the Company sold a 50% interest in certain mineral leases to Canada Silver Cobalt Works Inc. ("CCW") for total consideration of \$1,499,910 payable through the issuance of 2,941,000 units of CCW to the Company. Each unit is comprised of one common share of CCW and one share price warrant to acquire one common share of CCE at a price of \$0.55 for a period of 5 years.

## **RISK FACTORS**

### **Financial Risk Management**

#### **Overview**

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

- Credit risk;
- Liquidity risk;
- Market risk, including commodity price risk and foreign currency exchange risk;
- Interest rate risk; and
- Operational risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

#### **Risk Management Framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board fulfills its responsibility through the Audit Committee, which is responsible for overseeing the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management practices are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company has an established code of conduct which sets out the control environment within which framework all directors' and employees' roles and obligations are outlined.

The Company's risk and control framework is facilitated by the small-sized and hands-on executive team. There have been no changes in the risks, objectives, policies and procedures during the years ended June 30, 2020 and 2019.

#### **Credit Risk**

Credit risk is the risk of an unexpected financial loss to the Company if a customer or third-party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and receivables.

**Granada Gold Mine Inc.**  
**Management's Discussion and Analysis of Financial Results**  
**For the three months ended September 30, 2020**

**a) Cash and cash equivalents**

The Company's cash is held through large Canadian financial institutions. The Company has a corporate policy of investing its available cash in Canadian government instruments and certificates of deposit or other direct obligations of major Canadian banks, unless otherwise specifically approved by the Board. The Company does not own asset-backed commercial paper. Management believes the risk of loss to be minimal.

**b) Receivables**

When necessary, the Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures. Further, when the Company engages in corporate transactions, it seeks to manage its exposure by ensuring that appropriate recourse is included in such agreements upon the counterparty's failure to meet contractual obligations. Management believes that the credit risk with respect to financial instruments included in amounts receivable is minimal.

**Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking undue damage to the Company's reputation. The Company generates cash flow primarily from its financing activities.

The Company's objective is to maintain sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. This is accomplished by budgets and forecasts which are updated on a periodic basis to understand future cash needs and sources. Spending plans are adjusted accordingly when possible to provide for liquidity.

The Company manages its liquidity risk through the mechanisms described above and as part of Capital Disclosures below. The Company has historically relied on issuances of shares to develop projects and to finance day-to-day operations and may do so again in the future.

The Company has no significant long-term liabilities. All other contractually obligated cash flows are payable within the next fiscal year.

**Classification of Financial Instruments**

As at September 30, 2020, the Company does not have any financial assets measured at fair value and that require classification within the fair value hierarchy.

**Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate risk, and commodity prices will affect the Company's income, the value of its Evaluation and Exploration properties or the value of its holdings of financial instruments. The objective of market

**Granada Gold Mine Inc.**  
**Management's Discussion and Analysis of Financial Results**  
**For the three months ended September 30, 2020**

risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

**a) Commodity price risk**

The Company is exposed to price risk with respect to fluctuation in gold and silver prices which impacts the future economic feasibility of its mining interests. Gold and silver prices are affected by numerous factors such as the sale or purchase of gold and silver by various institutions, interest rates, exchange rates, inflations in the value of the US dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold and silver producing countries throughout the world. As the Company is still in the exploration and evaluation stage, the fluctuation of gold and silver prices does not have a significant impact on the Company.

**b) Foreign currency exchange risk**

The Company is exposed to foreign currency exchange risk with respect to future gold and silver sales, since gold and silver sales are denominated in US dollars and the Company's functional and reporting currency is the Canadian dollar. The movement on US rates related to the Canadian dollar may impact the future economic feasibility of the Company's mining interests. As the Company is still in the exploration and evaluation stage, the fluctuation of the US dollar does not have a significant impact on the Company.

**c) Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has not entered into any derivative contracts to manage this risk. The Company's policy as it relates to its cash balance is to invest excess cash in financial instruments guaranteed by and held with a Canadian chartered bank.

**d) Canada Cobalt Works Inc. units receivable**

In September 2015, the Company completed a share purchase agreement with CCW, a publicly traded company, whereby CCW agreed to acquire all of the issued and outstanding common shares of CSM, the Company's wholly-owned subsidiary. The Company and CCW have certain directors and officers in common.

In consideration, CCW issued an aggregate of 10,000,000 units, in four equal instalments of 2,500,000 units per year over a three-year period. Each unit consisted of one common share and one common share purchase warrant, each exercisable at \$0.10 for a one-year period. The fair value of the final 2,500,000 units receivable by the Company as at June 30, 2018 was estimated to be \$3,517,656 based on the trading price of the common shares and a Black Scholes valuation performed on the warrants as of that date. These units were received during 2019 and were distributed to the shareholders of the Company as a dividend.

**Sensitivity Analysis**

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve month period:

- i) The Company receives low interest rates on its cash balances and carries debt with

**Granada Gold Mine Inc.**  
**Management's Discussion and Analysis of Financial Results**  
**For the three months ended September 30, 2020**

- fixed interest rates. As such, the Company does not have significant interest rate risk.
- ii) The Company does not hold balances in foreign currencies to give rise to exposure to foreign currency risk.
  - iii) The Company's receivables are composed primarily of refundable sales taxes owing from the government of Canada. As such, the Company does not have significant credit risk relating to its receivables.

### **Operational Risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. The Company has a small but hands-on and experienced executive team which facilitates communication across the Company. This expertise is supplemented, when necessary, by the use of experienced consultants in legal, compliance and industry-related specialties. The Company also has standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Development of contingency plans;
- Ethical and business standards; and
- Risk mitigation, including insurance when this is effective and available.

### **CAPITAL MANAGEMENT DISCLOSURES**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration and evaluation projects. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company considers its capital to be equity, which is comprised of common shares, reserves and deficit, which as at September 30, 2020 totalled \$5,365,970 (June 30, 2020 – \$7,266,508).

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to

**Granada Gold Mine Inc.**  
**Management's Discussion and Analysis of Financial Results**  
**For the three months ended September 30, 2020**

acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company currently has no significant source of revenues, and therefore is dependent on external financing to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended September 30, 2020 and year ended June 30, 2020.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSXV which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

As of September 30, 2020, the Company may not be compliant with all of the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

**SELECTED QUARTERLY INFORMATION**

**RESULTS OF OPERATIONS**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 and expenses during the reporting period. Actual results may be different from those estimates.

The following schedule provides the details of the Company's corporate operating expenditures for the three months ended September 30, 2020 and 2019

	<b>September 30, 2020</b>	June 30, 2020
	\$	\$
Accretion	-	5,000
Administrative and general expenses	<b>13,939</b>	8,638
Professional fees	<b>173,655</b>	155,708
Filing costs and shareholder information	<b>102,157</b>	69,335
Travel	<b>486</b>	8,098
	<b>290,237</b>	246,779

**Granada Gold Mine Inc.**  
**Management's Discussion and Analysis of Financial Results**  
**For the three months ended September 30, 2020**

The following schedule provides the details of the Company's expenditures on its exploration and evaluation projects for the three months ended September 30, 2020 and 2019.

	<b>September 30, 2020</b>	June 30, 2020
	\$	\$
Assay and testing (recovery)	<b>(6,650)</b>	1,199
Consulting fees	<b>15,865</b>	-
Core analysis	<b>128,480</b>	21,710
Depreciation	<b>13,005</b>	7,457
Drilling	<b>456,797</b>	29,621
Equipment	<b>16,553</b>	7,633
Facility expenses	<b>23,737</b>	16,408
Geology, geophysics and surveys	<b>35,000</b>	35,000
Personnel costs	<b>25,890</b>	18,934
Project management and engineering	<b>493,230</b>	122,440
Taxes, permits and licensing	<b>1,562</b>	612
	<b>1,203,469</b>	261,014

**Summary of Quarterly Results**

The following selected financial information is derived from the unaudited interim financial statements of the Company. The figures have been prepared in accordance with IFRS.

	Sep 30, 2020 \$	Jun 30, 2020 \$	Mar 31, 2020 \$	Dec 31, 2019 \$	Sept 30, 2019 \$	Jun 30, 2019 \$	Mar 31, 2019 \$	Dec 31, 2018 \$
Revenue	39,514	55,721	66,921	63,421	62,721	104,676	62,721	62,721
Net income (loss)	86,624	(2,074,005)	(492,707)	(696,926)	(440,072)	(1,460,788)	(340,824)	(2,262,641)
Income (loss) per share	0.001	(0.030)	(0.010)	(0.010)	(0.005)	(0.030)	(0.001)	(0.040)

**LIQUIDITY**

The Company has financed its operations to date primarily through the issuance of common shares and the exercise of warrants and stock options. The Company will continue to seek capital through various means including the issuance of capital stock.

The Company is in the exploration stage. These financial statements are prepared in accordance with accounting principles to a going concern, which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon the continued support from its directors, the ability to continue to raise the necessary financing to meet its obligations, and to achieve profitable operations in the future. The outcome of these matters cannot be predicted at this time. These financial statements do not reflect any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

The Company has no history of profitable operations and its mineral projects are at an early stage. Therefore, it is subject to many risks common to comparable junior venture resource companies,

**Granada Gold Mine Inc.**  
**Management's Discussion and Analysis of Financial Results**  
**For the three months ended September 30, 2020**

including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources as well as a lack of revenues.

As at June 30, 2020, the Company had not yet achieved profitable operations, has accumulated losses of \$75,919,969 (June 30, 2020 - \$76,006,593) since its inception, has a working capital deficiency of \$5,438,225 (June 30, 2020 – \$7,200,774) and expects to incur further losses in the development of its business.

**RELATED PARTY TRANSACTIONS**

The Company determined that key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company. The Board of Directors (executive and non-executive), President and Chief Executive Officer and Chief Financial Officer are key management personnel.

The remuneration to key management personnel during the periods ended September 30, 2020 and 2019 is as follows:

	<b>September 30, 2020</b>	September 30, 2019
Key management compensation	<b>\$162,805</b>	\$187,215
Stock-based compensation	-	-
	<b>\$162,805</b>	\$187,215

- a) The Company retains the services of a company owned by an officer and director of the Company to carry out exploration work on its resource properties and for management services. During the three months ended September 30, 2020, the total amount for such services provided was \$110,001 (2019 – \$110,001) of which \$110,000 (2019 – \$110,000) was recorded in exploration expenses and \$1 (2019 - \$1) in professional fees.
- b) The Company retains the services of two officers and two directors to carry out administrative services. During the period ended September 30, 2020, the total amount for such services provided was \$80,216 (2019 – \$77,079) which was recorded in professional fees.
- c) As of September 30, 2020, the Company owed \$1,007,002 (June 30, 2020 - \$848,502) to a company of which a senior officer or director is also a senior officer or director. These amounts are unsecured, non-interest bearing and due on demand.
- d) During the period ended September 30, 2020, the Company recorded \$39,514 in equipment rental revenue (2019 – \$62,721) from a company of which a senior officer is also a senior officer.

**Granada Gold Mine Inc.**  
**Management's Discussion and Analysis of Financial Results**  
**For the three months ended September 30, 2020**

**COMMITMENTS AND CONTINGENCIES**

Environmental obligations

The Company's operations are subject to governmental laws and regulations regarding environmental protection. The environmental consequences are hardly identifiable, whether with the outcomes, the impacts or the deadline. As at June 30, 2020 and to the best knowledge of its management, the Company is, in conformity with the laws and regulations.

Flow-through obligations

The Company is partly financed by the issuance of flow-through shares. However, there are no guarantees that the funds spent by the Company will qualify as Canadian exploration expenditures, even if the Company has taken all the necessary measures for this purpose. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

Moreover, tax rules regarding flow-through investments set deadlines for carrying out the exploration work no later than the first of the following dates:

- ii) Two years following the flow-through investment;
- iii) One year after the Company has renounced the tax deductions relating to the exploration work.

During the period ended September 30, 2020, the Company received \$800,000 from flow-through share issuances. The Company believes the full amount will be spent on qualified exploration expenditures.

The Company has indemnified the subscribers of current and previous flow-through offerings against any tax related amounts that become payable by shareholders in the event the Company does not meet its expenditure commitment.

Canada Revenue Agency audit

The Canada Revenue Agency ("CRA") is auditing certain of the Company's corporate tax returns and flow-through filings from 2012 to 2017 and has assessed that the Company had flow-through shortfalls in certain of those years. Accordingly, the Company has recorded a provision for the estimated cost to indemnify flow-through share subscribers for their possible personal income tax reassessments.

In estimating the liability, the Company has assumed the following:

- The subscribers would be taxable at the highest marginal personal tax rate;
- That all non-corporate subscribers are eligible for the federal 15% investment tax credit; and
- That Quebec subscribers are eligible for the 150% or 120% additional CEE deduction.

The ultimate amount owing and the timing of any payments to investors are highly uncertain as they are dependent on each taxpayer's individual tax situation as well as if, or when, they are reassessed by the CRA.

The Company has also accrued the estimated Part XII.6 tax and similar Quebec tax on the potential shortfalls.

The CRA has also assessed penalties of approximately \$2,200,000 which the Company has not accrued. The Company believes the assessment of these penalties is without merit and has filed Notices of Objection to dispute the assessment. The outcome of the Notices of Objection cannot be determined at this time and accordingly, no amounts have been accrued in these financial statements relating to the penalties.

**Granada Gold Mine Inc.**  
**Management's Discussion and Analysis of Financial Results**  
**For the three months ended September 30, 2020**

A continuity of the provision for the shareholder indemnity for the period ended September 30, 2020 and year ended June 30, 2020 is as follows:

	<b>September 30, 2020</b>	June 30, 2020
Opening balance	<b>\$3,273,631</b>	\$3,273,631
Accrual for additional provision and interest	-	930,887
Reimbursements to investors	-	(76,263)
Ending balance	<b>\$3,273,631</b>	\$3,273,631

Service agreements

The Company has consulting service agreements with related parties (certain officers and directors).

- i) Effective January 1, 2007, and amended December 1, 2010, May 16, 2013 and March 1, 2015, the Company entered into a management agreement with Grupo Moje Limited ("Grupo"), a company owned by a director and officer of the Company to provide management services of Frank Basa in consideration for a nominal annual fee of \$1.

This agreement also requires that if the agreement is terminated by the Company upon or following a change in control or change of management the Company shall make a payment to Grupo equal to 480 ounces of gold with the dollar amounts to be calculated based on the price of gold on the date of termination of the agreement. As a triggering event has not taken place, the contingent payment has not been reflected in these financial statements.

- ii) Effective January 1, 2014, the Company entered into a management agreement with Mineral Recovery Management Systems Corp. ("MRMSC"), a company controlled by Frank Basa and Elaine Basa, to provide project management, engineering and geological services to the Company in consideration of \$25,000 per month for the services of Frank Basa and \$11,666.67 per month for the services of Elaine Basa. Either party may terminate this agreement by giving a four months' notice to the other, subject to certain provisions of the agreement.
- iii) Effective March 1, 2011 and amended February 1, 2012 and March 1, 2015, the Company entered into a consulting agreement with an officer of the Company. The fee for consulting services is USD \$8,000 per month. Either party may terminate this engagement by giving four months' notice to the other subject to certain provisions of the agreement. This agreement also requires that if the agreement is terminated by the Company upon or following a change in control or change of management the Company shall make a payment to the consultant of USD \$192,000. As a triggering event has not taken place, the contingent payment has not been reflected in these financial statements.

Claims, lawsuits and other complaints

The Company is subject to various claims, lawsuits and other complaints arising in the ordinary course of business. The Company records provisions for losses when claims become probable and the amounts are estimable. Although the outcome of such matters cannot be determined, it is the opinion of management that the final resolution of these matters will not have a material adverse effect on the Company's financial condition,

**Granada Gold Mine Inc.**  
**Management's Discussion and Analysis of Financial Results**  
**For the three months ended September 30, 2020**

operations or liquidity. The outcome of these litigations cannot be reasonably determined, as a result, no amounts have been accrued as at June 30, 2020.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions based on currently available information that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the year. Actual results may differ from these estimates.

It is reasonably possible that, on the basis of existing knowledge, outcomes in the next financial year that are different from the assumptions used could require a material adjustment to the carrying amount of the asset or liability affected.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The accompanying financial statements include all adjustments that are, in the opinion of management, necessary for fair presentation.

Management has made a number of significant estimates and valuation assumptions based on present conditions and management's planned course of action as well as assumptions about future business and economic conditions which include, but are not limited to, the following:

*Income taxes*

Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to the expectations of future cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the deferred tax assets and liabilities recorded at the yearend date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

*Decommissioning and restoration costs*

Decommissioning and restoration costs will be incurred by the Company at the end of the operating life of certain of the Company's assets. The ultimate decommissioning and restoration costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal and regulatory requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. In determining the amount of the provision, assumptions and estimates are required in relation to discount rates. As a result, there could be significant adjustments to the provisions established which would affect future financial results. In the Company's judgment, the most appropriate discount rate to use is one that reflects current market assessments and the risks specific to the liability.

*Stock-based compensation*

The Company uses the fair value method of valuing compensation expense associated with the Company's stock option plan. Estimating fair value requires determining the most appropriate

**Granada Gold Mine Inc.**  
**Management's Discussion and Analysis of Financial Results**  
**For the three months ended September 30, 2020**

valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, expected forfeitures and distribution yield. Such judgements and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

*Valuation of the refundable mining duties credit and the refundable tax credit for resources*

The refundable mining duties credit and the refundable tax credit for resources for the current and prior periods are measured at the amount expected to be recovered from the taxation authorities using the tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. Uncertainties exist with respect to the interpretation of tax regulations, including the mining duties credit and the tax credit for resources for which certain expenditures could be disallowed by the taxation authorities in the calculation of credits, and the amount and timing of their collection. The calculation of the Company's mining duties credit and tax credit for resources necessarily involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until a notice of assessment has been received from the relevant taxation authority. Differences arising between the actual results following the final resolution of some of these items and the assumptions made, or future changes to such assumptions, could necessitate adjustments to the mining duties credit and tax credit for resources, the exploration and evaluation expenses, and the income tax expense in future periods.

*Commitments and contingencies*

Refer to Note 17 of the financial statements.

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not utilize off-balance sheet arrangements.

**OUTSTANDING SHARE DATA**

The Company's authorized capital is an unlimited number of common shares without par value. As at the date of this report there were 103,110,341 shares issued and outstanding. The Company had 33,874,978 share purchase warrants outstanding. Each warrant entitles the holder to purchase one common share at a price of \$0.12 to \$0.28 per share until September 24, 2023. Stock options outstanding total 7,827,375 are exercisable for common shares at \$0.10 to \$0.40 per share until July 30, 2025.

**SUBSEQUENT EVENTS**

**October 23, 2020**, the Company has appointed Robert Guanzon as the new CFO of Canada Silver Cobalt due to the passing of the former CFO, Tom Devlin.

**November 24, 2020**, the Company has issued 200,000 stock options @ \$0.16 per share to a consultant.