

# GOLD

INTERCONTINENTAL

**INTERCONTINENTAL GOLD AND METALS LTD.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED  
DECEMBER 31, 2019**



## **Introduction**

This Management Discussion and Analysis (“MD&A”) of the financial condition and results of the operations of Intercontinental Gold and Metals Ltd. (“Intercontinental Gold”, “Our”, “We” or the “Company”) constitutes management’s review of the factors that affected the Company’s financial and operating performance for the year ended December 31, 2019. This discussion should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2019, the period ended December 31, 2018 and the year ended March 31, 2018, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company’s consolidated financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

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

Further information about the Company and its operations is available on Intercontinental Gold’s website at [www.intercontinentalgold.com](http://www.intercontinentalgold.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Caution Regarding Forward-Looking Statements**

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as “forward-looking statements”). These statements relate to future events or the Company’s future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

**INTERCONTINENTAL GOLD AND METALS LTD.**

MANAGEMENT DISCUSSION AND ANALYSIS – FOR THE YEAR ENDED DECEMBER 31, 2019  
DATED JUNE 9, 2020

Forward-looking statements	Assumptions	Risk factors
<p>The Company may require additional capital in order to meet its ongoing operating expenses and growth objectives for the year ended December 31, 2020.</p>	<p>The operating period for the year ended December 31, 2019 and the strategy change and the costs associated therewith, will be consistent with Intercontinental Gold's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favorable to Intercontinental Gold.</p>	<p>Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions.</p>
<p>The Company's ability to meet its working capital needs at the current level for the year ended December 31, 2020.</p> <p>The Company's cash balance at December 31, 2019, may not be sufficient to fund its growth at current levels. At the date hereof, the Company's cash balance remains allocated primarily in support normal business operations and management attempts to defer all payments, including management salaries, to the extent practical.</p>	<p>The operating activities of the Company for the period ending December 31, 2020, and the costs associated therewith, will be dependent on raising sufficient capital consistent with Intercontinental Gold's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favorable to Intercontinental Gold.</p>	<p>Adverse changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions.</p>
<p>Management outlook regarding future trends.</p>	<p>Financing will be available for the Company's growth objectives and development of its gold trading and export business.</p>	<p>Interest rate and exchange rate fluctuation and political and economic conditions.</p>
<p>Asset values for the year ended December 31, 2019 were not left to be impaired.</p>	<p>Management's belief that no further write-down is required for its assets resulting from continuing efforts to raise capital (debt or equity, or a combination of both) to implement planned change of business strategy.</p>	<p>If the Company does not obtain equity or debt financing on terms favorable to the Company or at all, a decline in asset values that could be deemed to be other than temporary, may result in impairment losses.</p>
<p>Sensitivity analysis of financial instruments.</p>	<p>Equity price will not be subject to change in excess of plus or minus 10%.</p>	<p>Changes in debt and equity markets; interest rate and exchange rate fluctuations.</p>

Inherent in forward-looking statements are risks, uncertainties and other factors beyond Intercontinental Gold's ability to predict or control. Please also make reference to those risk factors referenced in the "Risks and Uncertainties" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

**INTERCONTINENTAL GOLD AND METALS LTD.**  
MANAGEMENT DISCUSSION AND ANALYSIS – FOR THE YEAR ENDED DECEMBER 31, 2019  
DATED JUNE 9, 2020

---

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Intercontinental Gold's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

### Description of Business

Intercontinental Gold and Metals Ltd. (the "Company"), was incorporated under the *Business Corporations Act* (British Columbia) on March 23, 1967. On October 30, 2017, the Company was continued under the *Business Corporations Act* (Ontario). The Company's head office is located at 217 Queen Street W, Suite 401, Toronto, Ontario, M5V 0R2 and it is listed on the TSX-Venture Exchange and Frankfurt Stock Exchange under the symbol ICAU and G2W, respectively.

As of the date of this MD&A the Company has one operating subsidiary; Goldway SRL, a wholly owned licensed gold refinery and export company in Bolivia.

The Company currently generates revenue from sale of refined gold that is purchased from licensed Small Gold Miners (SGM's) from its Bolivian refining operations. Additional revenue is generated from export logistics services, foreign exchange and net interest margin on cash balances.

The Company changed its fiscal year-end from March 31 to December 31 (as of December 31, 2018) in order to align with its Latin America subsidiary. This MD&A, and the accompanying consolidated financial statements, reflect the twelve-month period January 1, 2019 to December 31, 2019 and comparative nine-month period from April 1, 2018 to December 31, 2018 and comparative twelve-month period from April 1, 2017 to March 31, 2018.

### Note on Comparatives

Due to the change in fiscal year-end, the comparative figures are not representative of equivalent reporting periods and, as such, have greater variances.

### Selected Annual Information

The following table set out highlights of the Company's financial results together with selected statements of financial position information for the year ended December 31, 2019, period ended December 31, 2018 and year ended March 31, 2018.

Years ended	December 31 2019 \$	December 31 2018 \$	March 31 2018 \$
Current Assets	\$6,249,726	\$4,903,560	\$3,238,092
Non-Current Assets	1,598,996	1,489,346	1,430,203
Liabilities	9,215,869	7,083,224	5,171,321
Share capital	33,590,437	33,586,699	32,943,911
Non-Current Liabilities	4,996,342	4,746,311	2,734,613

**INTERCONTINENTAL GOLD AND METALS LTD.**  
MANAGEMENT DISCUSSION AND ANALYSIS – FOR THE YEAR ENDED DECEMBER 31, 2019  
DATED JUNE 9, 2020

Years ended	December 31 2019 \$	December 31 2018 \$	March 31 2018 \$
Comprehensive (Loss) per year	(723,421)	(1,145,912)	(1,558,359)
(Loss) per share	(0.04)	(0.06)	(0.15)
Dividend	-	-	-

### Selected Quarterly Information

Three Months Ended	Net Revenues (\$)	Net Income (Loss)		Total Assets (\$)
		Total (\$)	Per Share (Basic and Diluted) (\$)	
2019-December 31	52,415,277	(633,876)	(0.04)	7,848,722
2019-September 30	136,009,227	359,557	0.02	12,497,999
2019-June 30	84,444,443	(295,309)	(0.02)	15,642,139
2019-March 31	48,943,901	(76,929)	(0.00)	5,781,844
2018-December 31	61,570,526	(193,753)	(0.01)	6,392,906
2018-September 30	35,249,072	(247,547)	(0.02)	5,445,105
2018-June 30	29,692,802	(739,010)	(0.04)	13,809,664
2018-March 31	9,014,725	(681,182)	(0.06)	4,668,295

### Operational Highlights

During the year ended December 31, 2019 the Company achieved multiple corporate milestones, record operational and financial results while dealing with business disruptions and still maintained its triple digit growth outlook trajectory.

- First ever positive quarterly earnings result in the Company's plus 50-year history of \$0.36 million or \$0.02 per share in Q3 2019.
- First ever direct sale to jewelry manufacturer.
- Record quarterly revenue during of \$136,009,227 in Q3 2019, an increase of 286% over \$35,249,072 reported in comparable period of 2018.
- Record quarterly refined gold sales/exports during of 69,588 ounces in Q3 2019, an increase of 145% versus 28,440 ounces during the comparable period in 2018.
- Record annual refined gold (bullion) exports of 172,106 ounces 24 carat gold, an increase of 105% over 84,063 ounces during the comparable period in 2018.
- Conducted initial site visits with PUM Netherlands Senior Experts ("PUM") to review small miner operations to assess opportunities for improving operations and securing long-term offtake agreements with certain cooperatives.
- Achieved record refinery production reaching 80% of installed 1 tonne per month capacity.
- Management continued to work closely with mining unions and small miners and received a "Reconocimiento por su Valioso aporte y Fidelidad" or "Recognition for Your Valuable Contribution and Loyalty" award.
- Initiated and continue to coordinate with various regulatory agencies for improved disclosure and reporting requirements.

- **Capital Investment** – completed capital investment related to the expansion of refining operations to 1 tonne of capacity during the year ended December 31, 2019.

#### **Finance and Corporate Developments – Another year of High Growth**

- **Expanding Commodity Trading Platform** - the Company's growth strategy in Bolivia and elsewhere in Latin America ("LATAM") is to aggressively expand its gold and metals trading business. Discussions are ongoing with producers and end users to further expand gold trading volumes and seek other trading opportunities in bulk commodities, ores, concentrates and energy metals.
- **Strategic Small Miner Operations Initiative** – identified a select group of our small miner client operations. The goal of the review is to identify operating and recovery efficiencies to achieve higher overall gold production and long term off take contracts to the benefit of the Company
- **Stock Options** – On February 11, 2019, the Company announced that it had granted an aggregate of 400,000 options to purchase common shares of the Company exercisable at a price of \$0.13 per common share for periods ranging of 5 years, to certain directors, officers, employees and consultants, pursuant to the Company's stock option plan. The common shares issuable upon exercise of the options are subject to a four month hold period from the original date of grant.
- **Growth Strategy** – the Company's expansion strategy in Bolivia and elsewhere in Latin America ("LATAM") is to aggressively grow its gold and metals trading and gold refining businesses;
  - **Gold and Metals Trading Opportunities** – Bolivian operations continue to offer expansion opportunities as evidenced by another quarter of record growth in exports.
- **Refined Gold Opportunities** – our refined gold (24 carat) production is actively marketed to global refiners, financial services companies and directly to jewelers and jewelry manufacturers. The Company also plans to initiate online bullion sales, offering gold bullion direct to investors. In addition to physical bullion sales expansion plans the company continues to advance discussions with consultants to establish a digital gold platform. Gold as Money is a burgeoning sector with allocated physical gold being the basis for every day electronic transactions. This market opportunity is global as gold's inherent value transcends borders as a truly global currency.

### **Three Months Ended December 31, 2019, compared with Three Months Ended December 31, 2018**

The Company reported a net loss of \$633,876 for the three months ended December 31, 2019, with basic and diluted loss per share of \$0.04. This compares with a net loss of \$193,753 with basic and diluted loss per share of \$0.01 for the three months ended December 31, 2018. The decrease of \$440,132 in net loss was principally due to:

- Consulting fees of \$147,603 for the three months ended December 31, 2019 compared to \$96,863 for the three months ended December 31, 2018.
- Office and Miscellaneous was (\$304,146) for the three months ended December 31, 2019 compared to \$59,706 for the three months ended December 31, 2018.

Results for the three months ended December 31, 2019 were adversely affected by unplanned office closures in November 2019 due to civil unrest following Bolivian national elections. The impact caused significant reduction in buying, refining, exports and revenues for 12 days followed by a slow ramp up as business activities returned to normal. No such business interruption occurred in the prior year quarter.

## **Cash Flow, Liquidity and Financial Position**

Cash provided by operating activities was \$218,825 for the year ended December 31, 2019 compared to cash used in operating activities of \$1,824,700 in the period ended December 31, 2018. Operating activities were affected by the net loss of \$646,557 primarily offset by non-cash items of accrued interest expense of \$579,200, share-based compensation of \$44,792 and the positive change in non-cash working capital balances of \$157,948 because of a decrease in receivables of \$400,920, an increase in prepaid expenses and advances of \$1,110,571, an increase of inventory of \$185,893, a decrease in accounts payables and accrued liabilities of \$185,893 and an increase in customer deposits of \$1,425,045.

Cash used in investing activities was 341,830 which is comprised of cash paid for contingent consideration related to the acquisition of Goldway of \$88,269 and cash paid for acquisition of equipment of \$253,561.

Cash used in financing activities during the period was \$67,540 derived principally from interest payments of \$694,928 offset by net increase of \$664,400 in subordinated financing.

At December 31, 2019, Intercontinental Gold had \$1,069,573 in cash (December 31, 2018 - \$1,215,342).

As of the date of this MD&A, the Company had 18,087,250 common shares issued and outstanding, 3,548,000 stock options that would raise \$758,680 if exercised in full and 5,707,500 warrants that would raise \$852,000 if exercised in full and 129,150 broker warrants that would raise \$22,590 if exercised in full. The Company does not know when or if the remaining stock options and warrants will be exercised.

The Company's use of cash at present occurs, and in the future will occur, principally in two areas, namely, funding of its general and administrative expenditures and funding of its investment activities in gold and metals trading and export opportunities globally including a variety of metals and minerals concentrates trading opportunities and other expansion initiatives.

The Company had positive working capital of \$2,030,199 at December 31, 2019, which is anticipated to be adequate for it to continue operations for the year ending December 31, 2020. The Company will however require additional capital in order to meet its growth targets.

## **Recent Accounting Pronouncements**

The Company has adopted IFRS 16 - Leases, which is effective for annual reporting periods beginning on or after January 1, 2019. Previously, the Company classified leases as operating or finance leases based on IAS 17 - Leases.

The Company has applied IFRS 16 in accordance with the modified retrospective approach only to contracts that were previously identified as leases. Contracts that were not identified as leases under previous standards were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019. The Company has determined that there is no change to the comparative periods required as a result of the adoption of this standard.

On initial application, for leases previously classified as operating leases under IAS 17, the Company has elected to record right-of-use assets based on the corresponding lease liability. As such, as at January 1, 2019, the Company recorded lease obligations of \$36,286 and right-of-use assets of \$36,286, with no net impact on deficit (See December 31, 2019 Financial Statements Notes 8 and 13).

When measuring lease liabilities for those leases previously classified as operating leases under IAS 17, the Company discounted future lease payments using its incremental borrowing rate as at January 1, 2019. The weighted-average rate applied is 20%.

The Company has elected to apply the practical expedient on facility leases, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Company's accounting policy for leases under IFRS 16 is as follows:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right-of-use asset is measured at cost, where cost comprises: (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

A lease liability is initially measured at the present value of the unpaid lease payments discounted using the interest rate implicit in the lease or if that rate cannot be reliably determined, the Company's incremental borrowing rate. Subsequently, the Company measures a lease liability at amortized cost using the effective interest method. It is then remeasured to reflect revised in-substance fixed lease payments. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

#### **New standards and interpretations not yet adopted**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2020. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following has not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

#### **Capital Risk Management**

The Company defines capital that it manages as shareholders' equity, consisting of issued share capital, reserve and deficit.

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 assets. 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.

Management reviews its capital management approach on an ongoing basis and believes that this

**INTERCONTINENTAL GOLD AND METALS LTD.**  
**MANAGEMENT DISCUSSION AND ANALYSIS – FOR THE YEAR ENDED DECEMBER 31, 2019**  
**DATED JUNE 9, 2020**

approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions.

There was no change in management's approach to capital management during the year ended December 31, 2019.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 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.

### **Related Party Transactions**

(a) The Company entered into the following transactions with related parties recorded as legal fees and share issuance costs:

	Year Ended December 31,	Period Ended December 31,
	2019 (\$)	2018 (\$)
Irwin Lowy LLP (i)	21,677	46,491

(i) A director of the Company is a partner at Irwin Lowy LLP, a law firm, and these fees are related to professional services provided by the firm. As at December 31, 2019, the Company owed \$31,456 (December 31, 2018 - \$49,068) to this firm and this amount was included in accounts payable and accrued liabilities. The amount is unsecured, non-interest bearing with no fixed terms of repayment.

(b) Compensation of key management personnel of the Company

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of the Board of Directors, corporate officers, including the Chief Executive Officer and Chief Financial Officer, as well the Vice President of Operations and the Country Manager.

<b>Salaries and benefits</b>	Year Ended December 31,	Period Ended December 31,
	2019 (\$)	2018 (\$)
Consulting Fees	661,088	513,066
Directors Fees	32,000	24,000
Share-based compensation	20,717	376,705
<b>Total</b>	<b>713,805</b>	<b>913,771</b>

(c) As at December 31, 2019, accounts payable and accrued liabilities included \$172,430 (December 31, 2018 - \$219,322) owing to directors, officers, Country Manager, VP of Operations and a company controlled by the Chief Executive Officer. The amounts bear no interest and have no fixed terms of repayment.

(d) During the period ended December 31, 2018, the Company entered into an agreement with the VP of Operations to settle accounts payable and accrued liabilities and recognized a gain on settlement of debt of \$8,585.

**INTERCONTINENTAL GOLD AND METALS LTD.**  
MANAGEMENT DISCUSSION AND ANALYSIS – FOR THE YEAR ENDED DECEMBER 31, 2019  
DATED JUNE 9, 2020

---

(e) As at December 31, 2019, total promissory notes payable to related parties were \$561,670 (December 31, 2018 -\$489,751)

### Share Capital

As of the date of this MD&A, the Company had 18,087,250 issued and outstanding common shares.

Warrants outstanding for the Company at the date of this MD&A were as follows:

Warrants	Expiry Date	Exercise Price
2,895,000	August 8, 2022	\$0.10
990,000	January 5, 2023	\$0.20
32,400	August 8, 2022	\$0.10
45,000	January 5, 2023	\$0.20
1,822,500	April 13, 2023	\$0.20
51,750	April 13, 2023	\$0.20
<b>5,836,650</b>		

Stock options outstanding for the Company at the date of this MD&A were as follows:

Options	Expiry Date	Exercise Price
2,088,000	August 10, 2022	\$0.11
1,060,000	April 20, 2023	\$0.45
400,000	February 11, 2024	\$0.13
<b>3,548,000</b>		

### Disclosure of Internal Controls

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the unaudited condensed interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed interim financial statements; and (ii) the unaudited condensed interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted

under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP (IFRS).

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## **Risks and Uncertainties**

### **Commodity Trading and Gold Refining Industry**

The Company's activities are directed towards the purchase and sales of physical commodities, primarily precious metals. Through these activities, we have the ability to offer a simplified risk management approach to our commercial clients by embedding more complex hedging structures as part of each physical contract to provide clients with enhanced price risk mitigation. We also offer clients efficient off-take or supply services, as well as logistics management.

The international commodities and financial markets are highly competitive and rapidly evolving. In addition, these markets are dominated by firms with significant capital and personnel resources that are not matched by our resources. We expect these competitive conditions to continue in the future, although the nature of the competition may change as a result of ongoing changes in the regulatory environment. We believe that we can compete successfully with other commodities and financial intermediaries in the markets we seek to serve, based on our expertise, products and quality of consulting and execution services.

Investor interest in the markets we serve will continue to impact our activities. The refined gold we trade in these markets compete with a wide range of other physical gold traders and alternative investment instruments. We seek to counterbalance changes in demand in specified markets by diversifying our business activities into multiple uncorrelated markets.

Technology has increased competitive pressures on commodities and financial intermediaries by improving dissemination of information, making markets more transparent and facilitating the development of alternative execution mechanisms. In certain instances, we compete by providing technology-based solutions to facilitate client transactions and solidify client relationships.

### **Government Regulation**

Our activities are subject to significant governmental regulation. Failure to comply with regulatory requirements could result in administrative or court proceedings, censure, fines, issuance of cease-and-desist orders, or suspension or disqualification of the regulated entity, its officers, supervisors or representatives. The regulatory environment in which we operate is subject to frequent change and these changes directly impact our business and operating results.

### **Permits and Licenses**

Government approvals and permits are currently, and may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from proceeding with planned refining and export activities. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or

remedial actions. Parties engaged in commodity trading and gold refining and export operations may be required to compensate those suffering loss or damage by reason of the refining and export activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of commodity trading and refining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in operating expenses, capital expenditures or reduction in trading and export volumes.

### **Business Risks**

We seek to mitigate the market risks arising from our physical commodity trading and gold refining activities through an active risk management program. The principal objective of this program is to limit trading risk to an acceptable level while maximizing the return generated on the risk assumed.

We have a defined risk policy administered by our risk management committee, which reports to the risk committee of our board of directors. We established specific exposure limits for inventory positions in every business, as well as specific issuer limits and counterparty limits. We designed these limits to ensure that in a situation of unexpectedly large or rapid movements or disruptions in one or more markets, systemic financial distress, and the failure of a counterparty or the default of an issuer, the potential estimated loss will remain within acceptable levels. The risk committee of our board of directors reviews the performance of the risk management committee on a quarterly basis to monitor compliance with the established risk policy.

We face risks associated with our market-making and trading activities. We conduct our market-making and trading activities predominantly as a principal, which subjects our capital to significant risks. These activities involve the purchase, sale for clients, of commodities and refining of gold for export. These activities are subject to a number of risks, including risks of price fluctuations, rapid changes in the liquidity of markets and counterparty creditworthiness.

The success of our market-making activities depends on: i) the price volatility of specific commodities including gold, ii) our ability to attract order flow, iii) the skill of our personnel, iv) the availability of capital, and v) general market conditions.

To attract market-trading, market-making and trading business, we must be competitive in: i) providing enhanced liquidity to our clients, ii) the efficiency of our order execution, iii) the sophistication of our trading technology, and iv) the quality of our client service.

In our role as a commodity trader and refiner, we attempt to derive a profit from the difference between the prices at which we buy and sell financial instruments, currencies and commodities. However, competitive forces often require us to: i) match the quotes of our competitors, and ii) hold varying amounts of commodities and gold in inventory.

By having to maintain inventory positions, we are subject to a high degree of risk. We cannot ensure that we will be able to manage our inventory risk successfully or that we will not experience significant losses, either of which could materially adversely affect our business, financial condition and operating results.

### **Commodity Prices**

The profitability of the Company is directly related to the market price of metals and our ability to purchase physical commodities and raw gold at prices below our realized sales price. Metal prices fluctuate considerably and are affected by numerous factors beyond the Company's control, such as industrial demand, inflation and expectations with respect to the rate of inflation, the strength of the U.S. dollar and of other currencies, interest rates, forward sales by producers, production and cost levels and changes in investment trends. If these market prices were to decline significantly or for an extended period of time, and the Company was not able to put in place appropriate sales contracts, offtake agreements or other financial hedges, the Company might incur losses and be unable to continue its operations or fulfill its obligations under its agreements with its lenders or under its permits and licenses. Furthermore, since metal prices are established in US dollars, a significant increase in the value of the Canadian dollar relative to the US dollar, coupled with stable or declining metal prices, could adversely affect the Company's results with respect to development of, and eventual sale of these metals.

### **Failure to manage our growth**

We have experienced significant growth in our business. Our operating revenues grew from \$126.5 million in fiscal 2018 to \$321.8 million in fiscal 2019. This growth may continue, including as a result of any acquisitions we may undertake in the future.

This growth required, and will continue to require, us to increase our investment in management personnel, financial and management systems and controls, and facilities. In the absence of continued revenue growth, or if growth is at a rate lower than our expectations, the costs associated with our expected growth would cause our operating margins to decline from current levels. In addition, as is common in the financial industry, we are and will continue to be highly dependent on the effective and reliable operation of our communications and information systems.

The scope of procedures for assuring compliance with applicable rules and regulations changes as the size and complexity of our business increases. In response, we have implemented and continue to revise formal compliance procedures; however, there can be no assurances that such procedures will be effective.

### **Share Price Fluctuations**

The market price of securities of many companies experience wide fluctuations in price that are not necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in Intercontinental Gold's share price will not occur.

### **Conflicts of Interest**

Certain directors of the Company also serve as directors and/or significant shareholders of other companies involved in natural resources sector consequently there exists the possibility for such directors to be in a position of conflict. In the event that a director or executive officer has a material interest in any transaction being considered by the Company, any such conflict will be subject to and governed by procedures prescribed by the Business Corporations Act (Ontario) (the "OBCA") which require a director or officer of a corporation experiencing such a conflict to disclose his interest and refrain from voting on any such matter unless otherwise permitted by the OBCA. In addition, Section 134 of the OBCA provides that every director must act honestly and in good faith with a view to the best interests of the Company. Section 134 is a formalization of the fundamental fiduciary duty that a director has to the corporation and encompasses, among other obligations, a duty of loyalty and a duty of confidentiality. As a fiduciary, a director may not interfere with, or take advantage of, any opportunities that rightfully belong to the Company. That a director may represent a specific shareholder of the Company does not relieve the director from fulfilling his fiduciary duty to the Company. If such director was to take any action which preferred the interests of a third party to the interests of the Company, such director would be liable to the company for a breach of his fiduciary duty, regardless of any legal duties which such director may have to the third party.

### **Requirement of Additional Financing**

The execution of the Company's business plan will depend upon the Company's ability to obtain financing through debt financing, equity financing or working capital facilities. No assurance can be given that the Company will be successful in obtaining the required financing on acceptable terms, if at all.

### **Dependence on Personnel**

The Company's ability to manage growth effectively will require the Company to continue to implement and improve the Company's management systems and to recruit and train new employees. Although the Company has done so in the past, the Company cannot assure that it will be successful in attracting and re-training skilled and experienced personnel.

### **Off Balance Sheet Items**

There are no off-balance sheet items.

### **Proposed Transactions**

The Company does not currently have any proposed transactions approved by the Board of Directors.

### **Outlook**

Intercontinental Gold was established as a public company to provide lower risk exposure to physical commodities (including gold), high growth and long-term economic returns for investors. Our business plan is based on principals of honesty, trust and transparency towards our stakeholders, regulators, supply side clients and off-take clients. Since our launch in mid-2017 your board, management and operations team have achieved many corporate milestones and of course so their much more to do. Our outlook for 2020 and beyond is to continue our high growth trend with expanded market penetration and increased margins in targeted Latin America jurisdictions that have significant small gold miner production. Our business template, servicing small miners is unique and completely transparent. We work closely with regulators, tax authorities and producer clients with a goal to positively impact state and local economies with reduced tax leakage, improve small miner operations, reduce environmental impact and provide full chain of custody compliance for the ultimate benefit of downstream consumers.

### **Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer (“CEO”) and Interim Chief Financial Officer (“CFO”), on a timely basis so that appropriate decisions can be made to facilitate full and timely disclosure to the public.

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures was conducted December 31, 2019, by and under the supervision of management, including the CEO and Interim CFO. Based on this evaluation, the CEO and CFO have concluded that disclosure controls and procedures, as defined in Multilateral Instrument 52-109 - Certification of Disclosure in Issuers’ Annual and Interim Filings, are effective to ensure that information required to be disclosed in reports that are filed or submitted under Canadian securities legislation are recorded, processed, summarized and reported within the time periods specified in those rules.

Because of inherent limitations, internal control over financial reporting and disclosure controls can provide only reasonable assurances and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Audit Committee of the Company has reviewed this MD&A, and the financial statements for the year ended December 31, 2019, and the board of directors approved these documents prior to their release.

## Additional Disclosure for Venture Issuers

### Operating Expenses

	Year Ended December 31,	Period Ended December 31,
	2019 (\$)	2018 (\$)
Accounting and audit	56,724	167,328
Consulting fees	697,636	684,690
Management and director fees	32,000	24,000
Business development	70,640	133,550
Shareholder information	21,475	281,726
Legal	12,221	85,462
Office and miscellaneous	495,656	297,404
Depreciation	46,700	2,854
Salaries and benefits	nil	310,205
Share-based compensation	44,792	407,449
Transfer agent and regulatory fees	14,701	4,224
<b>Total</b>	<b>1,492,545</b>	<b>2,088,687</b>

### Other Items

	Year Ended December 31,	Period Ended December 31,
	2019 (\$)	2018 (\$)
Unrealized loss/(gain) on marketable securities	nil	(200)
Gain (Loss) on debt settlement	nil	8,585
Foreign exchange gain (Loss)	(386,761)	155,420
Accretion on Promissory Notes	(197,300)	(127,349)
Revaluation of contingent consideration	(141,000)	(128,000)

**INTERCONTINENTAL GOLD AND METALS LTD.**  
MANAGEMENT DISCUSSION AND ANALYSIS – FOR THE YEAR ENDED DECEMBER 31, 2019  
DATED JUNE 9, 2020

---

---

Accretion of lease liability	(3,046)	nil
Interest expenses on Promissory Notes	(579,200)	(360,282)
Interest expense on loan payable	(134,736)	nil
Interest income	120,613	10,424
<b>Total</b>	<b>(1,321,430)</b>	<b>(441,402)</b>

### **Subsequent Events**

Subsequent to the year ended December 31, 2019, 47,250 broker warrants were exercised for proceeds of \$9,450.

BY ORDER OF THE BOARD

*“Gorden Glenn”*

Gorden Glenn  
President, CEO, and Director

*“John Anderson”*

John Anderson  
Director