



# SANDSPRING

RESOURCES LTD.

## **SANDSPRING RESOURCES LTD.**

**Management's Discussion and Analysis  
Three and Nine Months Ended September 30, 2015**

**Prepared by:**

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### **Introduction**

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Sandspring Resources Ltd. (the "Company" or "Sandspring") constitutes management's review of the factors that affected the Company's financial and operating performance for the three and nine months ended September 30, 2015. References to "Sandspring" in the MD&A refer to the Company and its subsidiaries taken as a whole. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31, 2014 as well as the unaudited interim consolidated financial statements for the three and nine months ended September 30, 2015, together with the notes thereto. Information contained herein is presented as at November 24, 2015, unless otherwise indicated.

This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. Results are reported in Canadian dollars, unless otherwise noted.

The accompanying unaudited condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. As at September 30, 2015, the Company had working capital of \$3,557,945 (December 31, 2014 – \$436,819 deficit) and accumulated deficit of \$124,253,772 (December 31, 2014 - \$118,850,680), incurred losses in the nine months ended September 30, 2015 amounting to \$5,403,092 (nine months ended September 30, 2014 - \$13,788,754) and had negative cash flows from operating activities in the nine months ended September 30, 2015 of \$1,962,698 (nine months ended September 30, 2014 - \$13,571,507).

On April 22, 2015, the Company amended its precious metals purchase agreement (the "Gold Purchase Agreement") with Silver Wheaton (Caymans Ltd. ("Silver Wheaton")) to include a silver stream under which Silver Wheaton will pay Sandspring incremental up-front cash payments totaling US\$5.0 million for 50% of the payable silver production from the Company's Toroparu Project in Upper Puruni, Guyana (the "Toroparu Project"). In addition, Silver Wheaton will make ongoing payments to Sandspring of the lesser of the market price and \$3.90 per payable ounce of silver delivered to Silver Wheaton over the life of the Toroparu Project, subject to a 1% annual increase starting on the fourth anniversary of production. Sandspring is entitled to receive US\$2.0 million of the incremental US\$5.0 million cash payment in four equal installments over the course of 2015, subject to the satisfaction of certain conditions. During the period ended September 30, 2015, the Company received the first three payments associated with the silver streaming portion of the Gold Purchase Agreement, totaling US\$1.5 million.

Under the terms of the Gold Purchase Agreement, the Company is required to complete a final feasibility study for its Toroparu Project before December 31, 2016, upon receipt of which Silver Wheaton can elect to proceed and pay the balance of the US\$135 million owed to finance construction of the Toroparu Project, or can elect to terminate the Gold Purchase Agreement. The Company's ability to finance activities after completion of the feasibility study is dependent on whether Silver Wheaton elects to proceed, as well as on the Company's ability to raise additional equity financing to fund ongoing activities, including the portion of project construction not financed by Silver Wheaton. There are no assurances that Silver Wheaton will elect to fund construction of the Toroparu Project, or that

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the Company will be successful in raising equity financing at all, or if available, on terms acceptable to the Company.

These conditions indicate the existence of material uncertainties that may cast significant doubt regarding the applicability of the going concern assumption. The consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. These adjustments could be material.

Further information about the Company and its operations is available on Sandspring's website at [www.sandspringresources.com](http://www.sandspringresources.com) or on the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com).

The Company's outstanding common shares (the "Common Shares") are listed on the TSX Venture Exchange (the "TSXV") under the symbol "SSP".

### **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. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the potential of Sandspring's properties to contain copper and gold deposits; the Company's ability to meet its working capital needs at the current level for the 12 month period ending December 31, 2015; the plans, costs, timing and capital for future exploration and development of Sandspring's property interests, including the costs and potential impact of complying with existing and proposed laws and regulations; management's outlook regarding future trends; sensitivity analysis on financial instruments, which may vary from amounts disclosed; prices and price volatility for gold, silver and copper and other economic deposits; and general business and economic conditions.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond Sandspring's ability to predict or control. These risks, uncertainties and other factors include, but are not limited to, gold and copper deposits, price volatility, changes in debt and equity markets, timing and availability of external financing on acceptable terms, the uncertainties involved in interpreting geological data and confirming title to its properties, the possibility that future exploration results will not be consistent with Sandspring's expectations, increases in costs, environmental compliance and changes in environmental and other local legislation and regulation, interest rate and exchange rate fluctuations, changes in economic and political conditions and other risks involved in the mining industry, as well as those risk

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factors listed in the "Risk Factors" section below. Readers are cautioned that the foregoing list of factors is not exhaustive of the factors that may affect the forward-looking statements. 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. Such statements are based on a number of assumptions that may prove to be incorrect, including, but not limited to, assumptions about the following: the availability of financing for Sandspring's exploration and development activities; operating and exploration costs; the Company's ability to retain and attract skilled staff; timing of the receipt of regulatory and governmental approvals for exploration projects and other operations; market competition; and general business and economic conditions.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Sandspring'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**

The Company was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta) on September 20, 2006. On November 24, 2009, the Company announced the completion of the acquisition (the "Acquisition") of 100% of the issued and outstanding shares of GoldHeart Investment Holdings Ltd. ("GoldHeart") which qualified as the Company's qualifying transaction (the "Qualifying Transaction"). GoldHeart, through its wholly-owned subsidiary ETK Inc. ("ETK"), holds certain mineral and prospecting interests in an area within the Republic of Guyana, South America that the Company refers to as the Upper Puruni Property. The Company continued out of Alberta and into Ontario effective March 31, 2010.

The Company holds, within the exterior boundaries of the Upper Puruni Property, the Toroparu Project which hosts a mineral reserve consisting of 4.107 million ounces of gold and 211 million pounds of copper contained within 127.1 million tonnes at a grade of 1.00 g/t gold and 0.11% copper in the proven and probable mineral categories.

The 127.1 million tonne reserve includes 51.8 million tonnes of gold ore with average copper, having grades of 1.17 g/t gold and 0.18% copper that will be recovered in flotation & cyanide leach processing circuit; and 70.3 million tonnes of gold ore with low copper grading 0.89 g/t gold, plus 5 million tonnes of saprolite gold ore grading 0.91 g/t gold that will be recovered in the cyanide leach processing circuit.

Further, the Toroparu Project hosts a mineral resource consisting of (i) 6.89 million ounces of gold and 444 million pounds of copper contained within 240.2 million tonnes at a grade of 0.89 g/t gold and 0.084% copper in the measured and indicated mineral resource categories, and (ii) 3.09 million ounces of gold and 120 million pounds of copper contained within 129.5 million tonnes at a grade of 0.74 g/t

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gold and 0.042% copper in the inferred mineral resource category. Further information is contained in the Company's technical report effective May 8, 2013 (the "Technical Report") prepared in accordance with National Instrument 43-101 ("NI 43-101") available on [www.sedar.com](http://www.sedar.com).

On February 23, 2015, the Company issued a press release declaring a silver resource at the Toroparu Project. The project is estimated to contain 240.2 million tonnes grading 0.815 g/t silver for 6.3 million contained ounces of silver in the measured and indicated category, along with 129.5 million tonnes grading 0.074 g/t silver for 310,000 contained ounces of silver in the inferred category.

The Company is in the process of exploring the Upper Puruni Property and advancing the Toroparu Project to feasibility. The Company's ability to ensure continuing operations is dependent on, among other things, confirmation of its interest in the underlying mineral claims and its ability to obtain necessary financing to complete exploration activities, development and future profitable production.

The Company's goal is to provide superior returns to its shareholders by (i) focusing on the exploration and development of its mineral and prospecting interests in the Upper Puruni Property and (ii) evaluating, and acquiring if appropriate, other mineral opportunities within Guyana.

## Acquisition of PNO Resources Ltd.

On September 14, 2015, the Company closed the acquisition of PNO Resources Ltd. ("PNO") by way of a court approved plan of arrangement whereby all of the issued and outstanding common shares of PNO were acquired by the Company in consideration of the issuance of 34,283,292 common shares of the Company. Also in connection with the acquisition, all outstanding stock options and warrants of PNO were exchanged for stock options and warrants of the Company.

The transaction has been accounted for on the basis of an acquisition of assets as PNO did not meet the definition of a business, with the consideration being limited to the net identifiable assets of PNO and the equity allocated based on the relative fair value of equity instruments issued. The following table summarizes the consideration paid and the fair values of the assets acquired and liabilities assumed, recognized as of the acquisition date:

### Fair value of assets acquired and liabilities assumed

Cash & cash equivalents	\$	5,850,157
Amounts receivable		13,047
Prepaid expenses		1,250
Accounts payable		(26,269)
	\$	5,838,185

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### Fair value of equity issued

Common shares	\$	5,464,746
Option reserve		94,477
Warrant reserve		278,962
	\$	5,838,185

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Completion of the Acquisition has brought the capital required to advance Sandspring's Toroparu Gold Project in the near term, while also expanding the expertise of Sandspring's management team and board of directors.

## Outlook and Overall Performance

During the nine months ended September 30, 2015, the Company spent \$3,318,608 on exploration and evaluation activities in the Upper Puruni Property as compared to \$11,909,762 for the nine months ended September 30, 2014.

The following table sets forth a breakdown of material components of the Company's exploration expenditures for the three and nine months ended September 30, 2015 and 2014.

	Three Months Ended		Nine Months Ended	
	9/30/2015	9/30/2014	9/30/2015	9/30/2014
	\$	\$	\$	\$
Upper Puruni Exploration Costs				
Camp Expenses	444,974	52,641	848,626	1,270,672
Consulting	60,875	7,106	76,923	62,026
Depreciation	168,023	168,062	522,202	500,432
Engineering Studies	(195,213)	2,589,109	(144,322)	6,946,651
Lab Fees	-	(594)	-	250,149
Office and Administrative Costs	47,535	51,576	106,967	229,959
Salaries and Benefits	243,875	377,324	1,174,810	1,627,058
Travel and Accommodation	55,472	11,867	121,251	360,659
Production Commitment Fees	40,973	(6,558)	385,278	330,835
Prospecting Licenses	84,107	55,541	226,873	331,321
Total Exploration Costs	950,621	3,306,074	3,318,608	11,909,762

## Trends

The Company anticipates that it will continue to experience net losses as a result of operating costs and ongoing exploration and evaluation of the Upper Puruni Property until such time as revenue-generating activity is commenced. The Company's future financial performance is dependent on many external factors. Both the price of, and the market for, gold is volatile, difficult to predict, and subject to changes in domestic and international political, social, and economic environments. Circumstances and events such as current economic conditions and ongoing volatility in the capital markets could materially affect the future financial performance of the Company.

### Government Transition

General elections were held in Guyana on May 11, 2015, alongside regional elections. The result was a victory for the APNU–Alliance for Change alliance, which won 33 of the 65 seats in the National

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Assembly. Following the elections, APNU leader David A. Granger was sworn in as President on May 16, 2015.

Diplomats from the United Kingdom and United States said the elections were free and fair. Signifying the importance of the mineral and oil and gas sectors of the Guyana economy, the new Administration has reorganized the former Ministry of Natural Resources and the Environmental into a department within the Office of the President, the Department of Natural Resources and Environment ("DNRE").

Sandspring executives have continued to have routine communications with the Office of the President and the Minister within the Office of the President, Raphael Trotman, who has day-to-day responsibility for the DNRE.

### Guyana Goldfields

Guyana Goldfields (OTCPK:GUYFF) achieved first gold production at its flagship Aurora gold project in Guyana, South America on August 4, 2015. The first gold pour was executed on time and on budget. The Company expects the Aurora mine to start commercial gold production as early as September. The Aurora mine could produce up to 50,000 ounces of gold by year-end, and 140,000 ounces in 2016.

Separately, Troy Resources has announced that it will start wet commissioning of its Karouni plant, in Guyana, by September this year, with first gold production to follow soon after. The Company has stated that "Troy is only weeks away from the exciting event of opening up its first new mine in five years and that mine will be a flagship for the company. It's the biggest mine that we have ever built," according to Troy Managing Director, Martin Purvis. The mine is projected to have a mine life of three years and is projected to produce on average 101,000 ounces of gold per year.

## **Contingencies**

The Company's mining and exploration activities are subject to various government laws and regulations relating to environmental protection. As at September 30, 2015, the Company does not believe that there are any significant environmental obligations requiring material capital outlays in the immediate future and anticipates that such obligations will only arise when mine development commences.

## **Off-Balance Sheet Arrangements**

As of the date of this discussion, the Company has no material off-balance sheet arrangements, such as guarantee contracts, derivative instruments, or any other obligations that would have triggered financing, liquidity, market or credit risk to actual or proposed transactions.

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### **Mineral Properties Under Exploration**

#### **Property Description and Location**

The Toroparu Project is located within Sandspring's 242,690.8 acres (98,214 hectares) mineral exploration concession area in the Upper Puruni River Area, Region 7 of northwestern Guyana, South America and is referred to as the "Upper Puruni Property". The Upper Puruni Property consists of seven small scale claims, 158 contiguous medium scale prospecting permits ("PPMSs") and 25 MPs that together cover an area of 184,693 acres (74,742 hectares) and five contiguous prospecting licenses ("PLs") that cover an area of 43,465 acres (17,590 hectares). The Upper Puruni Property is currently the Company's sole resource property, which is held and operated through ETK, the Company's wholly-owned subsidiary.

Ten parcels of land are subject to applications for the issuance of PPMSs filed by Mr. Wallace Daniels, a local Guyana resident. Ownership of PPMSs covering these ten parcels of land is the subject of a dispute between Mr. Daniels and a third party. The Company does not consider the disputed parcels as having any material value and the parcels do not form any part of the resource estimate for the Toroparu Project and are not included in the Technical Report.

All mineral tenure in Guyana is owned by the Government of Guyana and is regulated by the Guyana Geology and Mines Commission ("GGMC"). The Guyanese mineral tenure system is structured to permit four scales of operation. These include small scale claims licenses of 460 x 245 meters or a river claim consisting of one mile of a navigable river and are restricted to ownership by Guyanese. PPMSs and MPs cover between 150 to 1,200 acres each and are restricted to ownership by Guyanese. Foreigners may enter into joint venture arrangements whereby the two parties jointly develop property subject to PPMSs, MPs and small scale claim licenses. PLs covering between 500 and 12,800 acres are granted to domestic and foreign companies. Large areas for geological surveys are granted as Permission for Geological and Geophysical Surveys with the objective of applying for PLs over favourable ground.

The rights to the five PLs acquired by ETK from the Government of Guyana were held directly by and are registered solely in the name of ETK. The term for PLs is three years with two rights of renewal for one year each. After renewing the PLs twice, ETK was given permission to recommence the five-year process and apply for new PLs. Five new PLs were issued to ETK in 2013 and ETK has paid all rentals for the new PLs. Material components of project expenditures for the PLs that were incurred in the nine months ended September 30, 2015 total \$226,873 (nine months ended September 30, 2014 - \$331,321).

ETK also holds interest in PPMSs, MPs and small scale claims in the Upper Puruni Property through joint ventures with local Guyanese individuals (Messrs. Alfro Alphonso ("Alphonso") and Wallace Daniels ("Daniels")), and the Godette family ("Godette") who have been issued the various types of claim ownership by Guyana Geology and Mines Commission ("GGMC"). Only the portion of the Upper Puruni Joint Venture (as described below) is the subject of the Technical Report.

#### **Upper Puruni**

ETK has rights to 137 PPMSs, 21 MPs and seven small scale claims pursuant to a joint venture agreement between ETK and Mr. Alfro Alphonso (the "Upper Puruni Agreement"). The Toroparu Project is subject



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to the terms of the Upper Puruni Agreement. In 2004, in anticipation of the test mining to be conducted by ETK, ETK requested that Mr. Alphonso seek the permission of GGMC to convert certain PPMSs into the ten MPs.

The Upper Puruni Agreement stipulates that ETK is the sole operator and has the sole decision-making discretion in all matters related to the conduct of prospecting, exploration, development activities, and mining activities for the recovery of gold or other metals, minerals or gemstones from the lands. An in-kind royalty of 6% is payable to Mr. Alphonso on all gold and other mineral production from the claims subject to the Upper Puruni Agreement and ETK paid Mr. Alphonso during its test and alluvial mining operations. The original Upper Puruni Agreement provided that ETK would commence commercial production, defined as production of 50,000 ounces of gold per year, beginning on January 1, 2013 or, in lieu thereof, pay Mr. Alphonso an annual sum of the Guyana dollar equivalent of US\$250,000 until commercial production has commenced. As production was not achieved by January 1, 2013, the Company paid US\$250,000 to Mr. Alphonso in January of 2013.

On November 1, 2013, the Company agreed to an amendment of the Upper Puruni Agreement. The agreement previously stated that in the event ETK had not achieved commercial production by January 1, 2017, Mr. Alphonso had the right to declare a default under the terms of the agreement. The agreement was amended to extend the deadline for achieving commercial production by three years, to January 1, 2020. Further, ETK shall pay to Mr. Alphonso the Guyana Dollar equivalent of the sum of US\$1,000,000 on or before September 30, 2018. On November 1, 2013 the Upper Puruni Agreement was also amended to provide that only nine of the ten MPs would be included in the mining license.

During the year ended December 31, 2014, management identified that completion of the amendment to the Upper Puruni Agreement signed on November 1, 2013 resulted in a legal obligation that should have been accrued for during the year ended December 31, 2013. On the Company's audited consolidated financial statements for the years ended December 31, 2014 and 2013, the Company therefore recast comparative information as at December 31, 2013 to adjust for the immaterial impact of the \$466,644 (being the discounted amount of the US\$1,000,000 from the payment due date of September 30, 2018 to the date of the obligation on November 1, 2013) obligation payable to Mr. Alphonso. Additional details pertaining to this recast may be found in Note 9 of the Company's December 31, 2014 audited financial statements. The impact of the recast on the Company's comparative statement of operations was an increase in the reported net loss and comprehensive loss of \$23,027 for the three months ended September 30, 2014 and \$70,752 for the nine months ended September 30, 2014. There was no impact on the loss per share in the statement of operations and comprehensive loss for the nine months ended September 30, 2014 or cash provided by operating activities in the statement of cash flow for the nine months ended September 30, 2014.

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The following table shows the continuity of the discounted long-term liability to Mr. Alphonso:

<b>Balance, December 31, 2013</b>	<b>\$</b>	<b>466,644</b>
Additions:		
Accretion	\$	96,947
Foreign exchange		47,187
<b>Balance, December 31, 2014</b>	<b>\$</b>	<b>610,778</b>
Additions:		
Accretion	\$	97,390
Foreign exchange		97,594
<b>Balance, September 30, 2015</b>	<b>\$</b>	<b>805,762</b>

On April 22, 2014, Mr. Alphonso and the Company again amended the Upper Puruni Agreement, such that the 2014 penalty of US\$250,000 as due and payable will be paid on the due date of the penalty for the 2015 calendar year. In January 2015, the 2014 penalty payment was made. On April 24, 2015, the Upper Puruni Agreement was further amended, confirming the agreement of the parties that the 2015 penalty was deferred to two installments of US\$150,000 on April 30, 2015 (paid) and a second payment of US\$100,000 on June 30, 2015 (paid).

The Upper Puruni Agreement also gives ETK the option of purchasing all of Mr. Alphonso's interest in the Upper Puruni Property, except his right to continue to conduct alluvial mining on the property, for the sum of US\$20 million. This buy-out option does not have an expiry date. The right of the Company to continue development of the PPMSs and MPs could be impacted if the buy-out option is exercised prior to the conversion of the PPMSs and MPs to large-scale mining licenses. There are no credits against the US\$20 million option price for royalty or other payments made by ETK to Mr. Alphonso.

The bulk of the Company's work has focused on the Toroparu Project and the surrounding area. All exploration expenditures (excluding those incurred on the PLs) listed under "Outlook and Overall Performance" above were incurred on areas contained within the Upper Puruni Agreement. The total amount spent on exploration and development on these areas during the nine months ended September 30, 2015 was \$3,091,735 (nine months ended September 30, 2014 - \$11,578,441).

### Rentals and Royalties

The Company has executed a mineral agreement with the Government of Guyana that stipulates a royalty of 8% on gold (1.5% on copper) produced from its mineral claims payable in cash or in kind to the Government of Guyana. Mineral claims are also subject to annual rentals. The rental rates for each of the MPs are the sum of US\$1.00 per acre per annum. Rental rates for PLs are US\$0.50 per acre for the year, US\$0.60 per acre for the second year, and US\$1.00 per acre for the third year. An application fee of US\$100 and a work performance bond equal to 10% of the approved budget is also required. Sandspring represents that the rentals are paid in full for all claims as of the date of this MD&A. Rentals on the claims controlled by ETK are payable annually by the expiry date of each claim.

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### Environmental Liabilities

The Upper Puruni Property is not the subject of any known environmental liabilities.

### Location of Known Mineralization, Resources, Mine Workings, and Tailings Ponds

The Toroparu Project is located within the exterior boundaries of the Upper Puruni Property. The area comprising the Toroparu Project is the only area within the Upper Puruni Property on which mineral resources have been defined. Although the entire Upper Puruni Property has not been formally surveyed, surveys have been conducted in parts of the Upper Puruni Property relating to road-building and access into the Toroparu Project pit area and tailings facilities. Several GPS surveys have been performed by ETK personnel to locate drill collar points in order to locate geological features, sample points, trenches, bench faces, buildings, pit dimensions, tailings, impoundments, old workings, roads and other pertinent features surrounding the main operations around the Toroparu Project pit. The known mineral zones and mine workings, tailing ponds, ore storage, waste storage and historic alluvial workings are contained on the main Toroparu Project pit area and on other areas.

### Permits Required to Conduct Exploration Work

ETK has all necessary permits and permissions currently required to conduct its exploration work and medium-scale mining and gravity recovery of gold and other minerals on the Toroparu Project.

### Exploration and Development, the Toroparu Project

During the period ended September 30, 2015, exploration personnel and management completed a work schedule and budget for an exploration and maintenance campaign to be conducted at Toroparu from September through December 2015. The exploration program includes a 3,700-meter diamond drilling program at Sona Hill and a 120-km<sup>2</sup> regional geochemical survey of concessions north and north-west of the Company's existing concession boundary (Otomung Concession) at a budgeted cost of US\$1.04 million.

Maintenance crews arrived on Sept 7<sup>th</sup> and conducted activities that included i) repair and maintenance of heavy equipment, ii) repair and maintenance of the main access road, iii) relocation of the Kumung road camp, and iv) preparation of access roads & drill pads at Sona Hill and an access road through the center of the geochemical survey grid in the Otomung concession.

Drilling at Sona Hill, which commenced the week of 13<sup>th</sup> October and is expected to be completed by the end of November, has been designed to confirm continuity of mineralization defined by an initial 20-hole reverse circulation and 5 hole diamond reconnaissance drill program in 2012 that identified gold mineralization in both saprolite and fresh rock. The initial drill program followed the discovery of strong anomalous values for gold that were identified on top of Sona Hill over a 1 km by 200 m north-south trending zone in saprolite during the 2011–12 geochemical survey campaign. Sandspring has engaged one rig to drill 40 holes on a 100- by 50-metre grid to a maximum vertical depth of approximately 100 metres. Analytical results from this drill program can be expected in early 2016.

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Exploration crews began sampling the 120-km<sup>2</sup> Otomung concession the week of September 28<sup>th</sup>. The geochemical survey is designed to extend Sandspring's regional geochemical exploration grid to the north and north-west within the Puruni Shear Corridor in an effort to identify gold anomalous features that could indicate new mineralized systems. The perceived geological link between the Toroparu gold-copper-silver deposit and relatively small intra-belt intrusives that lie within the Puruni Shear corridor, as well as the significant multi-phase hydrothermal halo around Toroparu, suggest the potential to discover additional and possibly large mineralized systems in the area.

#### 2015 Budget

Management has outlined a revised 2015 budget on a cash basis of approximately US\$4.9 million further described below:

Description	Amount Budgeted for 2015 <sup>(6)</sup>	Expenditures to September 30, 2015	Revised Budget for 2015	Remaining Budget
Field Activities <sup>(1)</sup>	\$ 968,963	\$ 876,951	\$ 1,943,098	\$ 1,066,147
Feasibility Study <sup>(2)</sup>	120,000	-	-	-
Off-Site Infrastructure <sup>(3)</sup>	232,327	82,198	97,700	15,502
Consulting <sup>(4)</sup>	132,000	77,000	110,000	33,000
Property Permits	441,362	420,320	557,491	137,171
General and Administrative	1,140,475	1,127,136	1,619,326	492,190
Settlement of 2014 payables <sup>(5)</sup>	605,878	563,479	604,917	41,438
Totals:	\$ 3,641,005	\$ 3,147,084	\$ 4,932,532	\$ 1,785,448

(1) Costs incurred to support the Toroparu Project and exploration of \$1.04 million

(2) Completion of the feasibility study report writing.

(3) Costs to operate the Itiballi port, Kumung road camp and the Puruni crossing.

(4) Consulting fees for in-country project advisory team

(5) 2015 payments for 2014 feasibility study costs, non-production penalty, audit fee accruals.

(6) Discretionary, subject to change if management decides to scale back or accelerate operations.

## Technical Disclosure

Mr. Lucas Werner Claessens is a Qualified Person as defined under NI 43-101. Mr. Claessens has reviewed and approved all technical and scientific information contained in this MD&A.

Certain information set out herein is based on the pre-feasibility study Technical Report which was prepared by Frank Daviess, MAusIMM, Registered Member SME (Resource Estimation - SRK Consulting (US) Inc.); Fernando P. Rodrigues, MMSA, #1405QP (Mining/Reserves Estimation - SRK Consulting (US) Inc.); Peter I. Clarke, P.Eng., #13473 - British Columbia (Mining/Economics - SRK Consulting (US) Inc.); D. Erik Spiller, MMSA, #01021QP (Metallurgical Process Design - Tetra Tech); Thomas A. Chapel, CPG, PE, # 33848 - Colorado (On-site Infrastructure -Tetra Tech); Daniel Lloyd Evans, CFM, P.E., #32081 - Colorado (Water Management - Tetra Tech); each of whom is independent of the Company.

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### Summary of Quarterly Results

The selected quarterly financial information prepared in accordance with IFRS for the past eight financial quarters is outlined below.

Three Months Ended	Net Loss \$	Basic and Diluted Loss Per Share \$
Sept 30 2015	(1,847,775) <sup>(1)</sup>	(0.01)
Jun 30 2015	(1,482,945) <sup>(2)</sup>	(0.03)
Mar 31 2015	(2,072,372) <sup>(3)</sup>	(0.04)
Dec 31 2014	(1,894,589) <sup>(4)</sup>	(0.04)
Sep 30 2014	(3,770,451) <sup>(5)</sup>	(0.09)
Jun 31 2014	(5,249,018) <sup>(6)</sup>	(0.12)
Mar 31 2014	(4,793,628) <sup>(7)</sup>	(0.11)
Dec 31 2013	(4,411,097) <sup>(8)</sup>	(0.10)

- (1) Net loss of \$1,847,775 principally related to exploration expenditures in Guyana of \$782,598 (excluding amortization of \$168,023. All other expenses related to general working capital purposes and management compensation.
- (2) Net loss of \$1,482,945 principally related to exploration expenditures in Guyana of \$817,711 (excluding amortization of \$168,606. All other expenses related to general working capital purposes and management compensation.
- (3) Net loss of \$2,072,372 principally related to exploration expenditures in Guyana of \$1,193,817 (excluding share based payments of \$2,280) and amortization of \$185,573. All other expenses related to general working capital purposes and management compensation.
- (4) Net loss of \$1,894,589 principally related to exploration expenditures in Guyana of \$1,364,431 (excluding share based payments of \$5,472 and amortization of \$166,744. All other expenses related to general working capital purposes and management compensation. All expenses were offset by interest income of \$378.
- (5) Net loss of \$3,770,451 principally related to exploration expenditures in Guyana of \$3,106,475 (excluding share based payments of \$8,510 and amortization of \$168,062). All other expenses related to general working capital purposes and management and director compensation. All expenses were offset by interest income of \$417.
- (6) Net loss of \$5,249,018 principally related to exploration expenditures in Guyana of \$4,081,545 (excluding share based payments of \$12,765 and amortization of \$167,104). All other expenses related to general working capital purposes and management and director compensation. All expenses were offset by interest income of \$1,852.
- (7) Net loss of \$4,793,628 principally related to exploration expenditures in Guyana of \$4,148,194 (excluding share based payments of \$17,123 and amortization of \$165,266). All other expenses

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related to general working capital purposes and management and director compensation. All expenses were offset by interest income of \$2,316

- (8) Net loss of \$4,411,097 principally related to exploration expenditures in Guyana of \$2,094,078 (excluding share based payments of \$1,205 and amortization of \$181,931). All other expenses related to general working capital purposes and management and director compensation. All expenses were offset by interest income of \$2,952.

## **Results of Operations**

Nine months ended September 30, 2015, compared with nine months ended September 30, 2014

The Company's net loss totaled \$5,403,092 for the nine months ended September 30, 2015, with basic and diluted loss per share of \$0.07. This compares with a net loss of \$13,788,754 with basic and diluted loss per share of \$0.31 for the nine months ended September 30, 2014. The decrease in net loss of \$8,385,662 was due to:

- Operations expenditures decreased \$797,934 during the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014, as the direct result of a reduction in feasibility work at the end of 2014.
- The Company did not grant stock options in the nine months ended September 30, 2015. The Company recognized \$58,625 less stock-based compensation as issued stock options fully vested in Q1-2015.
- Professional fees increased \$135,879 in the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014, primarily due to a decrease in audit fee accruals and an increase in legal costs as related to financing opportunities.
- Salaries and other benefits for the nine months ended September 30, 2015 totaled \$2,013,637 as compared to \$3,170,280 for the nine months ended September 30, 2014. The salary decreases are a result of the Company's continued reduction in administrative and operational staffing and a reduction in management salaries as the Company moved to outsource certain management functions.
- Consulting expenditures decreased \$6,870,059 during the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014. The decrease in consulting was a direct result of the suspension of the final phases of the feasibility work at the end of 2014.
- Travel fees for the nine months ended September 30, 2015 totaled \$226,375 as compared to \$529,766 for the nine months ended September 30, 2014. The decrease in these costs is a result of suspension of the final phases of the feasibility work at the end of 2014.

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- Shareholder information costs for the nine months ended September 30, 2015 totaled \$94,437 as compared to \$160,542 for the nine months ended September 30, 2014. The decrease in these fees is due primarily to the Company reducing its marketing efforts, reflective of lower activity levels in the equity markets.
- A foreign exchange loss of \$255,143 was incurred during the nine months ended September 30, 2015 driven by variance with the U.S. dollar relative to the Canadian dollar.
- All other expenses related to general working capital purposes.

#### Three months ended September 30, 2015, compared with three months ended September 30, 2014

The Company's net loss totaled \$1,847,775 for the three months ended September 30, 2015, with basic and diluted loss per share of \$0.02. This compares with a net loss of \$3,770,451 with basic and diluted loss per share of \$0.09 for the three months ended September 30, 2014. The decrease in net loss of \$1,922,676 was due to:

- Operations expenditures increased \$315,452 during the three months ended September 30, 2015 as compared to the three months ended September 30, 2014. The increase in operations was due to the ramping up for the Q4-2015 exploration program.
- The Company did not grant stock options in the three months ended September 30, 2015. The Company recognized \$13,887 less stock-based compensation as issued stock options fully vested in Q1 2015.
- Professional fees increased \$147,444 in the three months ended September 30, 2015 as compared to the three months ended September 30, 2014, primarily due to a decrease in audit fee accruals and an increase in legal costs as related to financing opportunities.
- Salaries and other benefits for the three months ended September 30, 2015 totaled \$532,733 as compared to \$864,101 for the three months ended September 30, 2014. The salary decreases are a result of the Company's continued reduction in administrative and operational staffing and a reduction in management salaries as the Company moved to outsource certain management functions.
- Consulting expenditures decreased \$2,506,448 during the three months ended September 30, 2015 as compared to the three months ended September 30, 2014. The decrease in consulting was a direct result of the completion of the technical feasibility study in 2014.
- Travel fees for the three months ended September 30, 2015 totaled \$87,939 as compared to \$99,557 for the three months ended September 30, 2014. The decrease in these costs is a result of suspension of the final phases of the feasibility work at the end of 2014.
- Shareholder information costs for the three months ended September 30, 2015 totaled \$49,009 as compared to \$23,949 for the three months ended September 30, 2014. The increase in these fees is due primarily to the Company's Annual General Meeting held in Q3-2015.

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- A foreign exchange loss of \$194,769 was incurred during the three months ended September 30, 2015 driven by variance with the U.S. dollar relative to the Canadian dollar.
- All other expenses related to general working capital purposes.

### **Deferred Management Compensation**

At September 30, 2015, the Company has recognized \$966,336 (December 31, 2014 - \$255,024) pertaining to management compensation and severance amounts owed in connection with a corporate restructuring occurring in the fourth quarter of 2014. In accordance with underlying agreements, all parties have agreed to defer payment of the balances owed, subject to certain liquidity conditions of the Company and at the discretion of the compensation committee, until December 31, 2017.

### **Liquidity and Capital Resources**

There is no assurance that equity, or any other form of capital will be available to the Company in the amounts or at the times desired by the Company or on terms that are acceptable to the Company. See "Risk Factors" below.

At September 30, 2015, the Company had working capital of \$3,557,945 (December 31, 2014 - \$436,819). The Company had cash of \$4,252,765 at September 30, 2015 (December 31, 2014 - \$294,747) and restricted cash of \$197,823 at September 30, 2015 (December 31, 2014 - \$145,967).

The Company has no current sources of revenue and relies on the issuance of equity securities or other forms of financing to generate the funds required to advance its projects.

On April 22, 2015, the Company amended its precious metals purchase agreement (the "Gold Purchase Agreement") with Silver Wheaton to include a silver stream under which Silver Wheaton will pay Sandspring incremental up-front cash payments totaling US\$5.0 million for 50% of the payable silver production from the Company's Toroparu Project. Sandspring is entitled to receive US\$2.0 million of the incremental US\$5.0 million cash payment in four equal installments over the course of 2015, subject to the satisfaction of certain conditions. During the period ended September 30, 2015, the Company received the first three payments totaling US\$1.5 million.

The Company's liquidity and ability to access capital resources fluctuates based on the trends previously identified under the heading "Trends". Apart from these and the risk factors noted under the heading "Risk Factors" below, management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's liquidity and capital resources.

The Company remains debt free and maintains nominal credit or interest rate risk. Accounts payable and accrued liabilities are short-term and non-interest bearing. The Company's liquidity risk with financial instruments is minimal as excess cash is invested with major Canadian chartered banks in guaranteed investment certificates.



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### **Commitments**

The Company has executed a mineral agreement with the Government of Guyana that stipulates a royalty of 8% on gold (1.5% on copper) produced from its mineral claims payable in cash or in kind to the Government of Guyana. Mineral claims are also subject to annual rentals. The rental rates for each of the MPs are the sum of US\$1.00 per acre per annum. Rental rates for PLs are US\$0.50 per acre for the year; US\$0.60 per acre for the second year; and US\$1.00 per acre for the third year. An application fee of US\$100 and a work performance bond equal to 10% of the approved budget is also required. Rentals on the claims controlled by ETK are payable annually by the expiry date of each claim.

An in-kind royalty of 6% is payable to Mr. Alphonso on all gold and other mineral production from the claims subject to the Upper Puruni Agreement.

Under the terms of the Silver Wheaton Gold Purchase Agreement, Silver Wheaton may purchase 10% of the gold produced from the Company's Toroparu Project in exchange for funding of \$148.5 million and 50% of the of the silver produced from the Company's Toroparu Project in exchange for funding of US\$5 million, for a total contemplated from Silver Wheaton of US\$153.5 million. In addition, Silver Wheaton will make ongoing payments to the Company of the lesser of the market price and US\$400 per payable ounce of gold delivered to Silver Wheaton over the life of the Toroparu Project, subject to a 1% annual increase starting after the third year of production. With regard to silver production, Silver Wheaton will make ongoing payments to Sandspring of the lesser of the market price and \$3.90 per payable ounce of silver delivered to Silver Wheaton over the life of the Toroparu Project, subject to a 1% annual increase starting on the fourth anniversary of production.

### **Share Capital**

On September 10, 2015, the Company's shares were consolidated on a 3:1 basis. All common share, share option, share purchase warrant, and per share amounts in this MD&A have been retrospectively restated to present post-consolidation amounts.

The Company is authorized to issue an unlimited number of common shares. As of the date of this MD&A, the Company had 82,594,545 common shares outstanding on a non-diluted basis. The Company also has 7,912,639 stock options and 29,284,008 common share purchase warrants outstanding, exercisable to acquire one common share of the Company.

### **Proposed Transactions**

As of the date of this MD&A, there are no proposed transactions of a material nature being considered by the Company, other than those disclosed in this document.

### **Related Party Transactions**

The Company's transactions are in the normal course of business and are recorded at the exchange amount. All amounts due to related parties are non-interest bearing and payable on demand.

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- a) Included in accounts payable and accrued liabilities are the following amounts due to related parties:

	9/30/2015	12/31/2014
Travel expenses reimbursed to officers and directors of the Company,	\$ 30,327	\$ 2,305
Administrative expenses reimbursed to officers and directors of the Company,	6,486	211
	\$ 36,813	\$ 2,516

- b) The Company had the following related party transactions during the nine months ended September 30, 2015 and 2014:

	9/30/2015	9/30/2014
Travel expenses reimbursed to officers and directors of the Company,	\$ 96,690	\$ 145,330
Administrative expenses reimbursed to officers and directors of the Company,	47,109	17,804
	\$ 143,799	\$ 163,134

During the nine months ended September 30, 2015, the Company expensed \$22,500 (nine months ended September 30, 2014 - \$nil) to Marrelli Support Services Inc. ("Marrelli Support") for Robert D.B. Suttie, Vice President of Marrelli Support, to act as Chief Financial Officer ("CFO"). As of September 30, 2015, Marrelli Support was owed \$nil (September 30, 2014 - \$nil).

The Company's Directors elected to waive fees for 2015. The nine months ended September 30, 2015 resulted in the amount of \$148,669 being waived (nine months ended September 30, 2014 - \$nil).

On January 29, 2015, Gerald Grandey, a director of the Company advanced US\$130,000 for general working capital purposes under the terms of a promissory note bearing interest at a rate of 10% per annum. On April 24, 2015, the Company settled the promissory note through the issuance of 2,023,104 common shares.

By means of two promissory notes issued on April 9, 2015 and May 19, 2015, the Company was advanced an aggregate of US\$200,000 by Rich Munson, the Company's Chief Executive Officer ("CEO") for general working capital purposes. The promissory notes bore interest at 10% and were due on demand. These notes were paid in September 2015.

On June 18, 2015, P. Gregory Barnes, the Company's Executive Vice President advanced US\$30,000 to ETK for general working capital purposes. The promissory note bore interest at 10% and was due on demand. This note was paid in July 2015.

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On June 19, 2015, the Company's CEO advanced US\$60,000 to ETK for general working capital purposes. The promissory note bore interest at 10% and was due on demand. This note was paid in September 2015.

To the Company's knowledge, as at the date hereof, the following individuals or entities beneficially own, controls or directs, directly or indirectly, more than 10% of the Company's common shares: Crescent Global Gold Ltd. – 17.80%. To the Company's knowledge, the remaining 82.20% of the Company's common shares are widely held.

## Financial Instruments

The Company's activities potentially expose it to a variety of financial risks including credit risk, liquidity risk, currency risk, and interest rate risk.

### Credit Risk

Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligation. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents. The maximum credit risk represented by the Company's financial assets is represented by their carrying amounts. The Company holds its cash and guaranteed investment certificates with reputable financial institutions, from which management believes the risk of loss to be minimal.

### Liquidity Risk and Fair Value Hierarchy

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company. The Company generates cash primarily through its financing activities. The Company has cash of \$4,252,765 (December 31, 2014 – \$294,747) and restricted cash of \$197,823 (December 31, 2014 - \$145,967) to settle current liabilities of \$1,024,379 (December 31, 2014 – \$1,015,939). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at September 30, 2015:

	Level 1	Level 2	Level 3	Total
Financial Instruments				
Cash	\$ 4,252,765	\$ -	\$ -	\$ 4,252,765
Restricted cash	197,823	-	-	197,823
	\$ 4,450,588	\$ -	\$ -	\$ 4,450,588

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### Currency Risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations, exploration and administrative expenses in Guyana on a cash call basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada. The Company maintains US dollar bank accounts in the United States, British Virgin Islands and Guyana, and Guyanese dollar bank accounts in Guyana. The Company is subject to gains and losses from fluctuations in the US dollar and Guyanese dollar against the Canadian dollar.

### **Management of Capital**

The Company manages its capital to ensure that funds are available or are scheduled to be raised to provide adequate funds to carry out the Company's defined exploration programs and to meet its ongoing administrative costs. The Company considers its capital to be total shareholders' equity (managed capital) which at September 30, 2015, totaled \$10,849,642 (December 31, 2014 - \$10,245,581).

This capital management is achieved by the Board of Directors' review and acceptance of exploration budgets that are achievable using existing resources and the timely matching and release of the next stage of expenditures with the resources made available from private placements or other fundraising.

The Company's capital management objectives, policies and processes have remained unchanged during the nine months ended September 30, 2015. 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 Venture Exchange ("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 six months.

### **Disclosure of Internal Controls**

Management has established processes to provide sufficient knowledge to support representations that it has exercised reasonable diligence that (i) the unaudited interim consolidated 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 consolidated financial statements, and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flow 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"), the 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:

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- (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 consolidated financial statements for external purposes in accordance with the issuer's GAAP.

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 the 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.

## **Risk Factors**

The operations of the Company are speculative due to the high-risk nature of its business. In addition to information set out elsewhere in this MD&A, the factors set forth below could materially affect the Company's financial condition and/or future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

### Limited Operating History and History of Losses

The Company has not commenced commercial mining operations and is not currently generating cash flows from operations and there can be no assurances that it will generate positive cash flows from operations in the future.

### Exploration and Mining Risks

Resource exploration and development is a speculative business and involves a high degree of risk. The mineral resources contained in this MD&A are estimated quantities of measured, indicated and inferred mineral resources. The mineral reserves contained in this MD&A are estimated quantities of proven and probable mineral reserves that can be mined legally and economically, and processed by extracting their mineral content under current conditions and conditions anticipated in the future. There is no certainty that the expenditures to be made by the Company in the exploration of the Upper Puruni Property, will result in discoveries of commercial quantities of minerals. Further, the Company's operations are subject to all of the hazards and risks normally encountered in the exploration, development and production of base minerals, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although precautions to minimize risk will be taken by the Company, milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability. The exploration for and development of mineral deposits involves significant risks

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which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, including: (i) the particular attributes of the deposit, such as size, grade and proximity to infrastructure; (ii) metal prices which are highly cyclical; and (iii) government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The precise effect of these factors cannot be accurately predicted, however, a combination of these factors may result in the Company not receiving an adequate return on invested capital.

#### Additional Capital

The development of the Toroparu Project, or any future reserves found in the Upper Puruni Property, will require substantial additional future financing. Failure to obtain sufficient financing could result in the delay or indefinite postponement of construction, development or production on any or all such property or even loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. In addition, any future financing may be dilutive to existing shareholders of the Company.

#### Environmental and Regulatory Risks

All phases of the Company's operations are subject to environmental regulation. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for noncompliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's business, conditions or operations. Environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at this time.

Government approvals, licenses and permits are currently and will in the future be required in connection with the operations of the Company. To the extent such approvals are required and not obtained; the Company may be curtailed or prohibited from continuing its mining operations or from proceeding with planned exploration or development of mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by

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reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures, production costs, or reduction in levels of production at producing properties in the future, or require abandonment or delays in development of new mining properties in the future.

### Mineral Tenure in Guyana

There are certain risks associated with the Guyanese mineral tenure regime which are either not present, or are considerably reduced, in mineral tenure regimes in Canada and elsewhere. Such risks include the inability to definitively search government registries in Guyana for certain underlying small scale claims which may exist within areas subject to (i) PPMSs granted by the Government of Guyana, acting by and through the GGMC, (ii) MPs granted by the Government of Guyana, acting by and through the GGMC, and (iii) PLs granted by the Government of Guyana, acting by and through the GGMC, and the potential uncertainty regarding the ability of the holder of a PL or MP or medium scale permit to explore for minerals which are not specifically identified in the relevant license or permit. Also, the Company is not the registered holder of any of the PPMSs, or small scale claims comprising the Company's Upper Puruni Property as Guyana law prohibits these claims from being held in the name of a foreign controlled entity and limits their activities thereunder. Pursuant to the Company's Alphonso Joint Venture Agreement, pursuant to which ETK obtained rights in respect of 133 PPMS, 21 MPs and 7 small scale claims located in the Upper Puruni Property, Alphonso has agreed to convert 6 MPs and 7 small scale claims subject to the Alphonso Joint Venture into one or more large scale mining licenses registered in ETK's name, however, the GGMC has not formally approved such conversion as of the date hereof.

### Limited Market for Securities

The Common Shares are currently listed on the TSXV, however there can be no assurance that an active and liquid market for the Common Shares will be maintained and an investor may find it difficult to resell securities of the Company.

### No Assurance of Title and Title Disputes

Although the Company has received a title opinion from Guyana local counsel in connection with the Upper Puruni Property, title insurance generally is not available, and the ability of the Company to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be severely constrained. Furthermore, the Company has not conducted surveys of the claims in which it holds interests and, therefore, the precise area and location of such claims may be in doubt or challenged. Accordingly, the Company's properties may be subject to prior unregistered liens, agreements, transfers or claims, and title may be affected by, among other things, undetected defects which could have a material adverse impact on the Company's business operations, condition and results of operations. In addition, the Company may be unable to operate its properties as permitted or to enforce its rights with respect to its properties. Further, ten parcels of land held pursuant to the joint

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venture agreement between Mr. Wallace Daniels and ETK are subject to a title dispute. The outcome of this dispute cannot be accurately predicted and could potentially have an adverse impact on the business of the Company although the Company does not ascribe any significant value to the lands subject to the joint venture with Mr. Daniels.

#### Commodity Prices

Factors beyond the control of the Company may affect the marketability and price of minerals discovered, if any. Resource prices have fluctuated widely in recent years and months and are affected by numerous factors beyond the control of the Company, including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. The effect of these factors cannot be accurately predicted.

#### Uninsurable Risks

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's property interests or the properties of others, delays in mining, monetary losses and possible legal liability. It is not always possible to fully insure against such risks, and the Company may decide not to take out insurance against such risks as a result of high premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in an increase in costs and a decline in value of the securities of the Company. It is anticipated that the Company will not be insured against most environmental risks. Insurance against environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) has not been generally available to companies within the industry. It is anticipated that the Company will periodically evaluate the cost and coverage of the insurance against certain environmental risks that is available to determine the appropriateness of obtaining such insurance. Without such insurance, and if the Company becomes subject to environmental liabilities, the payment of such liabilities would reduce or eliminate its available funds or could exceed the funds available to the Company to pay such liabilities and could result in bankruptcy. Should the Company be unable to fund fully the remedial cost of an environmental incident, it could potentially be required to enter into interim compliance measures pending completion of the required remedy.

#### Litigation

Defense and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Like most companies, the Company is subject to the threat of litigation and may be involved in disputes with other parties in the future which may result in litigation or other proceedings. The results of litigation or any other proceedings cannot be predicted with certainty. If the Company is unable to



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resolve these disputes favourably, it could have a material adverse effect on the Company's financial position, results of operations or the Company's property development.

### No History of Mineral Production

There is no assurance that commercial quantities of minerals will be discovered at the Toroparu Project or any future properties, nor is there any assurance that the exploration programs of the Company thereon will yield any positive results. Even if commercial quantities of minerals are discovered, there can be no assurance that any property of the Company will ever be brought to a stage where mineral resources can profitably be produced thereon. Factors which may limit the ability of the Company to produce mineral resources from its properties include, but are not limited to, the price of the mineral resources which are currently being explored for, availability of additional capital and financing, the actual costs of bringing properties into production, and the nature of any mineral deposits.

### Operating Hazards and Risks

Operations in which the Company will have a direct or indirect interest, will be subject to all the hazards and risks normally incidental to exploration, development and production of minerals, any of which could result in damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage. Although the Company intends to maintain when reasonable and possible, liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which event the Company could incur significant costs that could have a materially adverse effect upon its financial condition.

### Permits and Licenses

Operations of the Company will require licenses and permits from various governmental authorities. Although the Company believes it currently has all required licenses and permits for its operations as currently conducted, there is no assurance that delays will not occur in connection with obtaining all necessary renewals of such licenses and/or permits for the existing operations or additional licenses and/or permits for all future operations. The Company anticipates that it will be able to obtain in the future, all necessary licenses and permits to carry on the activities which it intends to conduct, and intends to comply in all material respects with the terms of such licenses and permits. However, there can be no guarantee that the Company will be able to obtain and maintain, at all times, all necessary licenses and permits required to undertake its proposed exploration and development or to place properties into commercial production and to operate mining facilities thereon. In the event of commercial production, the cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations or preclude the economic development of the Toroparu Project.

### Global Financial Conditions

Securities of mining and mineral exploration companies, including the common shares of the Company, have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic

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developments in Canada and globally, and market perceptions of the attractiveness of particular industries. The price of the securities of the Company is also significantly affected by short-term changes in commodity prices, base and precious metal prices or other mineral prices, currency exchange fluctuation and the political environment in the countries in which the Company does business. As of the date of this document, the global economy continues to be in a period of significant economic volatility, in large part due to European and American economic concerns which have impacted global economic growth.

#### Political Risks

All of the Company's current operations are presently conducted in Guyana, South America and as such, are exposed to various levels of political, economic and other risks and uncertainties present in emerging nations. Such risks and uncertainties vary from country to country and include, but are not limited to: (i) currency exchange rates; (ii) high rates of inflation; (iii) labour unrest; (iv) renegotiation or nullification of existing concessions, licenses, permits and contracts; (v) changes in taxation policies; (vi) restrictions on foreign exchange and changing political conditions; (vii) currency controls; and (viii) governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Future political actions in Guyana cannot be predicted and may adversely affect the Company. Changes, if any, in mining or investment policies or shifts in political attitude in the country of Guyana may adversely affect the Company's business, results of operations and financial condition. Future operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. The possibility that future governments may adopt substantially different policies, which may extend to the expropriation of assets, cannot be ruled out. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's consolidated business, results of operations and financial condition.

#### Competition

Competition in the mineral exploration business is intense and could adversely affect the ability of the Company to suitably develop the properties in which it holds its interests. The Company will be competing with many other exploration companies possessing greater financial resources and technical facilities. Accordingly, there is a high degree of competition for desirable mineral leases, suitable prospects for drilling operations and necessary mining equipment, as well as for access to funds. There can be no assurance that necessary funds can be raised by the Company or that any projected work will be completed.

#### Infrastructure

Mining, processing, development and exploration activities depend on adequate infrastructure. Reliable roads, bridges, power sources and water supplies are important requirements, which affect capital and operating costs. Unusual or infrequent weather, phenomena, sabotage, government or other

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interference in the maintenance or provision of such infrastructure could adversely affect the Company's future operations, financial condition and results of operations.

### Reliance on Limited Number of Property Interests

The only property interests held by the Company are the Upper Puruni Property and the interests held in connection with the Alphonso Joint Venture, the Daniels Joint Venture and Godette Joint Venture. As a result, unless the Company acquires additional property interests, any adverse developments affecting any of the properties comprising the Upper Puruni Property, could have a material adverse effect upon the Company and could materially and adversely affect the potential mineral resource production, profitability, financial performance and results of operations of the Company.

### Government Regulation

The mining, processing, development and mineral exploration activities of the Company are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. Exploration may also be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on future exploration and production, price controls, export controls, currency availability, foreign exchange controls, income taxes, delays in obtaining or the inability to obtain necessary permits, opposition to mining from environmental and other non-governmental organizations, limitations on foreign ownership, expropriation of property, ownership of assets, environmental legislation, labour relations, limitations on repatriation of income and return of capital, limitations on mineral exports, high rates of inflation, increased financing costs, and site safety. This may affect both the Company's ability to undertake exploration and development activities in respect of present and future properties in the manner contemplated, as well as its ability to continue to explore, develop and operate those properties in which it has an interest or in respect of which it has obtained exploration and development rights to date. Although the Company believes that its exploration and development activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail development or future potential production. Amendments to current laws and regulations governing operations and activities of mining and milling or more stringent implementation thereof, could have a substantial adverse impact on the Company.

### Price and Volatility of Public Stock

The market price of Common Shares has experienced fluctuations which may not necessarily be related to the financial condition, operating performance, underlying asset values or prospects of the Company. It may be anticipated that any market for the Common Shares will be subject to market trends generally and the value of the Common Shares on the TSXV, or such other stock exchange as the Common Shares may be listed from time to time, may be affected by such volatility.

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### Dependence on Key Personnel

The Company's future success and growth depends in part upon the experience of a number of key management personnel. If for any reason, any one or more of such key personnel do not continue to be active in the Company's management, the operations and business prospects of the Company could be adversely affected.

### Dividend Policy

No dividends on the Common Shares have been paid by the Company to date. Payment of any future dividends, if any, will be at the discretion of the Company's Board of Directors after taking into account many factors, including the Company's consolidated operating results, financial condition, and current and anticipated cash needs.

### Resource and Reserve Estimates Are Uncertain

The mineral resources contained in this MD&A are estimated quantities of measured, indicated and inferred mineral resources. The mineral reserves contained in this MD&A are estimated quantities of proven and probable mineral reserves that can be mined legally and economically, and processed by extracting their mineral content under current conditions and conditions anticipated in the future. There are numerous uncertainties inherent in estimating mineral resources and mineral reserves, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral resource or mineral reserve estimate is a function of, among other things, the quantity and quality of available data, the assumptions made and judgments used in engineering and geological interpretation. Mineral resource and mineral reserve estimates are also uncertain because they are based on limited sampling and not the entire ore body. In addition, there can be no assurance that gold or copper recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. There is no assurance that the estimated amount of mineral reserves will be recovered, or that it will be recovered at costs that the Company assumed in determining such mineral reserves. As the Company gains more knowledge and understanding of an ore body through on-going exploration and mining activity, the mineral resource and mineral reserve estimates may change significantly, either positively or negatively. In particular, results of drilling, metallurgical testing, production, the evaluation of mine plans and fluctuations in gold or copper prices subsequent to the date of any estimate may require revisions of such estimate. Any material reductions in mineral resource or mineral reserve estimates, or of the Company's ability to extract the mineral reserves, could have a material adverse effect on the Company's results of operations and financial condition.

### Shortages of Critical Parts, Equipment and Skilled Labour May Adversely Affect Operations and Development Projects

The mining industry has been increasingly impacted by increased demand for critical resources such as input commodities, drilling and other equipment and skilled labour. These shortages may cause unanticipated cost increases and delays, thereby impacting operating costs, capital expenditures and production schedules.

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### Uncertainty of Cost Estimates and Timing of New Projects

The capital expenditure and time required to develop new mines or other projects is considerable and changes in costs and/or construction schedules, can affect project economics. There are a number of factors that can affect costs and construction schedules, including, among others: availability of labour, power, transportation, commodities and infrastructure; changes in input commodity prices and labour costs; fluctuations in currency exchange rates; availability and terms of financing; difficulty of estimating construction costs over a period of years; delays in obtaining environmental or other government permits; weather and severe climate impacts; and potential delays related to social and community issues.

### Conflicts of Interest

Certain directors of the Company are also directors, officers or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company will be required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board of Directors of the Company, any director in a conflict situation will be required to disclose his or her interest and abstain from voting in connection with the matter giving rise to the conflict. In determining whether or not the Company will participate in any project or opportunity, its directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the relevant time.

### Future Sales of Common Shares by Existing Shareholders and Future Issuances of Common Shares or Equity-Related Securities

Sales of a large number of Common Shares in the public markets, or the potential for such sales, could decrease the trading price of such Common Shares and could impair the ability of the Company to raise capital through future sales of such Common Shares.

Any issuance of additional equity securities could dilute the interests of existing shareholders and could substantially decrease the trading price of the Common Shares. The Company may issue equity securities in the future for a number of reasons, including to finance its operations and business strategy (including in connection with acquisitions, strategic collaborations or other transactions) and to satisfy the Company's obligations upon the exercise of outstanding warrants or options or for other reasons. Sales of a substantial number of Common Shares or other equity-related securities in the public market (or the perception that such sales may occur) could depress the market price of the Common Shares, and impair the Company's ability to raise capital through the sale of additional equity securities. The Company cannot predict the effect that future sales of the Common Shares or other equity-related securities would have on the market price of the Common Shares.

### Currency

The fair value of, or future cash flows from, the Company's financial instruments will fluctuate based on changes in foreign exchange rates. The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations, exploration and

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administrative expenses in Guyana on a cash call basis using United States dollars converted from its Canadian dollar bank accounts held in Canada. The Company maintains United States dollar bank accounts in the United States, British Virgin Islands, and Guyana and Guyanese bank accounts in Guyana. The Company is subject to gains and losses based on fluctuations in the United States dollar and Guyanese dollar against the Canadian dollar which could have a material adverse impact on the Company's financial position.

### **Additional Information**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com), or on the Company's website [www.sandspringresources.com](http://www.sandspringresources.com).