



# SANDSPRING

RESOURCES LTD.

**Management's Discussion and Analysis  
Three Months ended March 31, 2016**

**Prepared by:  
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## **Sandspring Resources Ltd.**

Management's Discussion and Analysis  
Three Months Ended March 31, 2016

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The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Sandspring Resources Ltd. and its subsidiaries (collectively the "Company" or "Sandspring") constitutes management's review of the factors that affected the Company's financial and operating performance for the three months ended March 31, 2016. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31, 2015, and the related notes thereto. Information contained herein is presented as at May 25, 2016, unless otherwise indicated. 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".

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.

Statements in this MD&A that are not historical facts are "forward-looking statements" that are subject to risk factors set out in a cautionary note herein. Readers are cautioned not to put undue reliance on forward-looking statements.

### **Company Overview**

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 majority of Sandspring's efforts to date have been focused on exploring and advancing the Toroparu Project, located within the Upper Puruni Property. Through more than 190,000 meters of drilling, Sandspring has delineated the main Toroparu and Satellite deposits that were included in a May 2013 pre-feasibility study for the Toroparu Project, along with other mineralized areas and promising anomalies within the Company's 98,214-hectare mineral concession. Extensive geochemical surveys have identified a large hydrothermal halo that extends for 20km x 7km around the Toroparu Deposit, with a cluster of ten gold anomalies that represent advanced-stage exploration targets.

As at March 31, 2016, the Company had working capital of \$1,771,305 (December 31, 2015: \$2,234,200) and an accumulated deficit of \$128,417,149 (December 31, 2015: \$127,118,227), incurred losses in the three months ended March 31, 2016 amounting to \$1,298,922 (March 31, 2015: \$2,072,372), and had negative cash flows from operating activities during the three months ended March 31, 2016 of \$1,152,310 (March 31, 2015: \$835,275).

On May 6, 2016 the Company closed a non-brokered private placement for gross proceeds of \$6.5 million. The Company issued 20,315,500 units (the "Units") with each Unit consisting of one common share in the capital of the Company at a price of C\$0.32 per share and one common share purchase warrant exercisable

## **Sandspring Resources Ltd.**

Management's Discussion and Analysis  
Three Months Ended March 31, 2016

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into one common share at an exercise price of C\$0.42 until May 6, 2021. Finder's fees of C\$120,508 and 156,250 Units were issued in relation to the private placement. With this financing in place, management believes there is sufficient funding to finance the Company into 2017, including undertaking an exploration program at the Toroparu Project in 2016.

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.

### **Silver Wheaton Agreement**

In November 2013, the Company entered into a precious metals purchase agreement (the "Purchase Agreement") with Silver Wheaton (Caymans) Ltd. ("Silver Wheaton") under which Silver Wheaton will pay Sandspring incremental up-front cash payments totaling US\$148.5 million for 10% of the payable gold production from the Company's Toroparu Project in Upper Puruni, Guyana (the "Toroparu Project"). In addition, Silver Wheaton will make continuing payments to Sandspring 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. Sandspring has received an initial draw down of US\$13.5 million of the cash payment, to be used primarily for advancement of the final feasibility study for the Toroparu Project.

On April 22, 2015, the Company amended the 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 Toroparu Project. In addition, Silver Wheaton will make ongoing payments to Sandspring of the lesser of the market price and US\$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 received an initial draw down of US\$2.0 million of the cash payment in four equal installments over the course of 2015.

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

### **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.

## **Sandspring Resources Ltd.**

Management's Discussion and Analysis  
Three Months Ended March 31, 2016

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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.

Completion of the acquisition expanded the expertise of Sandspring's management team and board of directors.

### **Toroparu Project Review and Outlook**

In May 2013 the Company completed a pre-feasibility study for the Toroparu Project. The pre-feasibility study outlined the design of an open-pit mine producing more than 200,000 ounces of gold annually over an initial 16-year mine life. The pre-feasibility study also estimated proven and probable gold reserves for the project using a 0.3 g/t cut-off grade, US\$1400/oz gold and \$3.25/lb copper. The Toroparu Project is estimated to host a mineral reserve consisting of 127.1 million tonnes at a grade of 1.00 g/t gold and 0.11% copper for contained proven and probable reserves of 4.1 million ounces of gold and 211 million pounds of copper.

These reserves are included in the overall mineral resource estimated at 6.89 million ounces of gold and 444 million pounds of copper contained within 240.2 million tonnes grading 0.89 g/t gold and 0.084% copper in the measured and indicated mineral resource categories, with an additional 3.09 million ounces of gold and 120 million pounds of copper contained within 129.5 million tonnes grading 0.74 g/t gold and 0.042% copper in the inferred mineral resource category. Further information regarding the Toroparu Project is contained in a technical report (the "Technical Report") with an effective date of May 8, 2013 titled "NI 43-101 Technical Report Pre-Feasibility Study, Toroparu Gold Project, Upper Puruni River Area, Guyana", which was prepared in accordance with National Instrument 43-101 ("NI 43-101") and is available on the Company's website and on SEDAR.

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.

### **Sona Hill Drill Program Summary**

Located approximately five km southeast of the Toroparu Deposit, Sona Hill is the eastern most gold anomaly in a cluster of ten gold features located within a 20 km by 7 km hydrothermal alteration halo around Toroparu. The recommended 7,500-meter drill program for Sona Hill was divided into two phases, with the 3,691-meter first phase drilling completed over a nine-week period from October 13 to December 9, 2015. The objective of the first phase program was to gather sufficient analytical and geological information about the grade and continuity of gold mineralization to determine if a detailed resource definition drilling program is warranted.

The first phase program included 35 diamond core holes drilled on 50-meter spacing within eight east-west oriented drill fences spread 100 to 200 meters apart in a north-south direction over the west flank of Sona Hill. Drill results were press released on February 3, 2016 and are available on the Company's website and on SEDAR. Examination of drill core from the Sona Hill drill program indicates that high-grade gold mineralization generally occurs in tourmaline and feldspar-bearing quartz veins forming a network above

## **Sandspring Resources Ltd.**

Management's Discussion and Analysis  
Three Months Ended March 31, 2016

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an intensely altered, low-angle shear (fault) zone. The surrounding intrusive host rocks are commonly bleached and altered, likely related to the emplacement of the quartz veins. Sona Hill drilling results and the cluster of geochemical gold features around Toroparu suggest that the main deposit may be part of a larger regional mineralized system and surrounded by other mineralized systems in different geologic settings.

Management believes the Sona Hill anomaly may host higher-grade or shallower mineralization that could complement the existing Toroparu and Satellite deposits and improve project economics. To further confirm the continuity of mineralization between existing drill holes and to delineate the outer limits of Sona Hill mineralization, Sandspring intends to undertake both drilling and surface exploration at Sona Hill in 2016, as outlined below:

- Infill drill program: 5,800 m, 50 diamond drill holes
- Step-out drill program: 2,500 m, 14 diamond drill holes
- Ground magnetics and induced polarization geophysics survey: 8–12 km
- Geochem survey: 800m x 800m x 120 auger sample saprolite
- Alluvial sampling at Toroparu Creek: 1,000 sample program

### Otomung Saprolite Geochemistry Program Summary

In 2015 Sandspring completed a 100-km<sup>2</sup> regional geochemical survey across the Otomung River area, located 20 km northwest of the Toroparu Deposit. Through ETK, Sandspring controls 25,602 acres of property in the Otomung River area (the "Otomung Block"). The Otomung area lies to the northwest of an interpreted large geologic flexure in the Puruni Shear Corridor, the geologic feature that hosts the Toroparu Deposit and can be traced for more than 150 km within the Puruni volcano-sedimentary belt into producing goldfields in Venezuela. Sandspring extended its regional geochemical survey grid into the Otomung Block, which is adjacent to the current boundaries of the Toroparu Property Block, with the objective of identifying gold anomalous features that could indicate additional mineralized systems.

The Otomung geochemical survey collected 764 samples on a 1000 meter x 100 meter grid. Multi-element data indicate that gold anomalous values occur at the border of a geochemical feature interpreted as an elongated granitoid intrusion in the center of the survey area. This interpretation is consistent with indications from earlier exploration work in the area that suggested the presence of intrusives in the same zones and reflects a geological setting comparable to Toroparu.

In 2016 Sandspring plans to follow up these results with an extension of the survey grid further to the northwest to explore for other intrusive structures, and will infill survey lines and sampling in the zones of interest in order to develop new drill targets.

### **Toroparu Project Acquisition and Agreements**

#### Property Description and Location

The Toroparu Project is located within Sandspring's 242,690.8 acre (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,

## **Sandspring Resources Ltd.**

Management's Discussion and Analysis  
Three Months Ended March 31, 2016

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158 contiguous medium scale prospecting permits ("PPMSs") and 25 medium scale mining permits ("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, and is held and operated through ETK, the Company's wholly-owned subsidiary.

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 three months ended March 31, 2016 total \$78,660 (March 31, 2015: \$91,375).

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 ("Mr. Alphonso") and the Godette family ("Godette")) who have been issued the various types of claim ownership by GGMC. Only the portion of the Upper Puruni Joint Venture (as described below) is the subject of the May 2013 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. Alphonso (the "Upper Puruni Agreement"). The Toroparu Project is subject to the terms of the Upper Puruni Agreement. In 2004, in anticipation of 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. 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 royalties on the gold production from 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 2013.

## **Sandspring Resources Ltd.**

Management's Discussion and Analysis  
Three Months Ended March 31, 2016

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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 June 2018. On November 1, 2013 the Upper Puruni Agreement was also amended to provide that only six of the ten MPs would be included in the mining license.

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 would 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). At the request of Mr. Alphonso, the 2016 penalty payment will be made in accordance with payment directions to be issued by Mr. Alphonso specifying a payment date.

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.

At March 31, 2016, the discounted long-term liability to Mr. Alphonso amounted to \$859,041.

### Godette Agreement

The Company, through its wholly-owned subsidiary ETK, has rights to three MPs pursuant to the Godette Joint Venture Agreement (the "Godette Agreement"). ETK has sole operatorship and sole decision-making discretion in all matters pertaining to gold exploration on the lands subject to the Godette Agreement. ETK also has the sole and exclusive right to sell all gold, other precious metals or gemstones it may recover from the properties. The MPs that are the subject of the Godette Agreement are not evaluated or considered in the May 2013 Technical Report.

Limited geologic work was performed by ETK on the land subject to the Godette Agreement in 2012 and a more extensive exploration program was conducted in the fourth quarter of 2015. During the Fall 2015 exploration program, an alluvial sampling program and a core drilling program of approximately 3,700 meters were conducted. The results of the Fall 2015 exploration program were positive and the Company's exploration consultants have recommended that additional exploration be undertaken.

The Godette Agreement gives ETK the option of purchasing 100% of the Godettes' interest in the Godette Agreement for the sum of US\$300,000. Pursuant to an amendment to the Godette Agreement in 2012, the sum of US\$200,000 was paid to the Godettes as partial payment of the purchase price and in exchange for the agreement of the Godettes that they would no longer have the right to conduct alluvial mining operations on the lands subject to the Godette Agreement. Pursuant to a further amendment to the Godette Agreement in 2015, ETK agreed to pay the remaining balance of the purchase price of US\$100,000

## Sandspring Resources Ltd.

Management's Discussion and Analysis  
Three Months Ended March 31, 2016

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in four equal installments on October 1, 2015, January 5, 2016, April 1, 2016 and July 1, 2016. The first three installments have been paid as of May 25, 2016.

### B.M. Mining Agreement

In September of 2015, ETK entered into an agreement (the "B.M. Mining Agreement") with B.M. Mining Company ("B.M. Mining") and its owner, Bryan Stephens of Bartica, Guyana, to acquire the right to explore 25,602 acres of property in the Otomung River area (the "Otomung Block") which is located immediately adjacent to the northwestern boundary of ETK's current property block in the Upper Puruni area. The Otomung River area lies to the northwest of an interpreted large geologic flexure in the Puruni Shear Corridor, the geologic feature that hosts the Toroparu Deposit. The Puruni Shear Corridor continues for more than 150 km within the Puruni volcano-sedimentary belt into producing goldfields in Venezuela. In the fourth quarter of 2015, Sandspring extended its regional geochemical survey grid into the Otomung Block with the objective of identifying gold anomalous features that could indicate new mineralized systems.

The B.M. Mining Agreement provides that ETK shall pay B.M. Mining the Guyana dollar equivalent of US\$10,000 upon execution of a final joint venture agreement between B.M. Mining and ETK for the right to conduct exploration activities for a period of one year.

ETK has the option to extend the B.M. Mining Agreement annually by making payment to B.M. Mining of the amounts set forth below:

<b>Year (to be Paid on or Before the Anniversary Date of the Date of the Definitive Agreement)</b>	<b>Amount in U.S. Dollars (to be Paid in the Guyana Dollar Equivalent Amount)</b>
2016	\$25,000
2017	\$35,000
2018	\$45,000
2019	\$55,000
2020	\$65,000
2021	\$75,000
2022	\$75,000
2023	\$75,000
2024	\$75,000

The B.M. Mining Agreement further provides that ETK shall pay the annual rentals on the 23 medium scale prospecting permits that comprise the Otomung Block. The first rental payment is due in May 2016.

ETK has the right to buy all of B.M. Mining's interest in the B.M. Mining Agreement and the underlying Otomung Block upon payment to B.M. Mining of an amount that is tied to the price of gold per ounce at the time ETK exercises its option to purchase.

<b>Price of Gold (US Dollars)/Oz</b>	<b>Amount of Buy-out (US Dollars)</b>
Up to \$1,400	\$1,500,000
\$1,401 to \$2,000	\$2,500,000
\$2,001 and greater	\$4,000,000

## Sandspring Resources Ltd.

Management's Discussion and Analysis  
Three Months Ended March 31, 2016

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### 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.

### Environmental Liabilities

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

### Toroparu Permits

ETK has all the 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. In addition, the project has its Environmental Authorization, Mineral Agreement and Fiscal Stability Agreement in place.

Sandspring has also signed a Memorandum of Understanding with the Guyana Government giving Sandspring exclusive rights to develop the Kurupung Hydro Project, approximately 50 km south of the Toroparu Project. Optimizing the project's power supply by building the proposed run-of-river hydroelectric facility could significantly reduce the project's life-of-mine operating costs.

### **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 \$
Mar 31, 2016	(1,298,922)	(0.02)
Dec 31, 2015	(2,864,455)	(0.05)
Sep 30, 2015	(1,847,775)	(0.02)
Jun 30, 2015	(1,482,945)	(0.03)
Mar 31, 2015	(2,072,372) (i)	(0.04)
Dec 31, 2014	(1,907,594) (i)	(0.04)
Sep 30, 2014	(3,770,451) (i)	(0.09)
Jun 30, 2014	(5,249,018) (i)	(0.12)

- (i) The quarterly net losses were recast and additional details pertaining to this recast may be found in the Company's December 31, 2014 audited financial statements.

## **Sandspring Resources Ltd.**

### Management's Discussion and Analysis

Three Months Ended March 31, 2016

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The Company's net loss related primarily to exploration expenditures in Guyana. All other expenses related to general working capital purposes and management compensation.

#### **Results of Operations**

##### Three Months Ended March 31, 2016, Compared with Three Months Ended March 31, 2015

The Company's net loss totaled \$1,298,922 for the three months ended March 31, 2016, with basic and diluted loss per share of \$0.02. This compares with a net loss of \$2,072,372 with basic and diluted loss per share of \$0.04 for the three months ended March 31, 2015. The decrease in net loss of \$773,450 was due to:

- Exploration expenditures decreased \$325,760 during the three months ended March 31, 2016 as compared to the three months ended March 31, 2015, mostly due to exploration management attrition and technical feasibility study completion in March 2015.
- Stock-based compensation expense varies due to the grant date fair value of options awarded. No options were granted by the Company in the three months ended March 31, 2016.
- Professional fees decreased \$76,149 in the three months ended March 31, 2016 as compared to the three months ended March 31, 2015, primarily due to a decrease in legal costs related to financing opportunities.
- Salaries and other benefits for the three months ended March 31, 2016 totaled \$162,462 as compared to \$255,600 for the three months ended March 31, 2015. The salary decreases are a result of the Company's reduction in management salaries and the outsourcing of certain management functions.
- Consulting expenditures increased \$19,392 during the three months ended March 31, 2016 as compared to the three months ended March 31, 2015. The increase in consulting was primarily due to the waiver of certain consulting fees during the three months ended March 31, 2015.
- Travel fees for the three months ended March 31, 2016 totaled \$21,193 as compared to \$24,837 for the three months ended March 31, 2015. The decrease in these costs is a result of reduced management travel.
- Shareholder information costs for the three months ended March 31, 2016 totaled \$56,461 as compared to \$23,170 for the three months ended March 31, 2015. The increase in these fees is due to the Company's revitalized marketing efforts.
- A foreign exchange gain of \$85,714 was incurred during the three months ended March 31, 2016, driven by variance with the U.S. dollar relative to the Canadian dollar.
- All other expenses related to general working capital purposes.

## Sandspring Resources Ltd.

Management's Discussion and Analysis  
Three Months Ended March 31, 2016

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### Exploration Expenditures

The bulk of the Company's work to date has focused on the Toroparu Project and surrounding areas. During the three months ended March 31, 2016, the Company spent \$984,522 on exploration and evaluation activities in the Upper Puruni Property as compared to \$1,381,670 for the three months ended March 31, 2015.

The following table sets forth a breakdown of material components of the Company's exploration expenditures for the three months ended March 31, 2016 and 2015.

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Upper Puruni exploration costs		
Camp expenses	\$ 183,828	\$ 240,143
Consulting	48,694	8,368
Engineering studies	-	37,235
Lab fees	39,751	-
Office and administrative costs	21,348	24,384
Salaries and benefits	119,057	461,470
Travel and accommodation	33,165	26,226
Production commitment fees	345,834	306,896
Prospecting licenses	78,660	91,375
Exploration costs sub-total	\$ 870,337	\$ 1,196,097
Depreciation	114,185	185,573
Total exploration costs	\$ 984,522	\$ 1,381,670

### Deferred Management Compensation

At March 31, 2016, the Company recognized \$1,036,348 (December 31, 2015: \$1,077,203) pertaining to management compensation and severance amounts owed in connection with a corporate restructuring that occurred 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. On January 1, 2016, the Company amended the management employment agreements resulting in a reduction to fifty percent (50%) of base salary, which will eliminate further salary deferrals.

### 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.

As at March 31, 2016, the Company had working capital of \$1,771,305 (December 31, 2015: \$2,234,200). The Company had cash of \$2,218,900 at March 31, 2016 (December 31, 2015: \$2,596,210) and restricted cash of \$192,841 (December 31, 2015: \$205,160).

## **Sandspring Resources Ltd.**

Management's Discussion and Analysis

Three Months Ended March 31, 2016

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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. As such, on May 6, 2016 the Company closed a non-brokered private placement for gross proceeds of \$6.5 million.

The Company's liquidity and ability to access capital resources fluctuates based on the trends 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.

### **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.

### **Contingencies**

The Company's mining and exploration activities are subject to various government laws and regulations relating to environmental protection. As at March 31, 2016, 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 arise only when mine development commences.

### **Off-Balance Sheet Arrangements**

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

### **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, as previously described.

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.

## **Sandspring Resources Ltd.**

Management's Discussion and Analysis

Three Months Ended March 31, 2016

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Under the terms of the Silver Wheaton Purchase Agreement, Silver Wheaton may purchase 10% of the gold produced from the Company's Toroparu Project in exchange for funding of US\$148.5 million and 50% of the silver produced from the Company's Toroparu Project in exchange for funding of US\$5 million, for a total commitment from Silver Wheaton of US\$153.5 million. Up-front payments of US\$15.5 million have already been received, with the remainder to be paid out in installments during project construction. 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 US\$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 shares, share options, share purchase warrants, and per share amounts in this MD&A have been retrospectively restated to present post-consolidation amounts.

On February 19, 2016, 100,000 shares were issued at a deemed price of \$0.15 to an arms-length party as settlement of \$15,000 in invoices.

During February 2016, 5,000,000 warrants were exercised at a price of \$0.15 for net proceeds of \$750,000.

On March 2, 2016, 50,000 stock options were exercised for net proceeds of \$10,000.

On April 20, 2016, 200,000 stock options were granted to an officer of the Company. The stock options are exercisable at \$0.45 per share and will expire on April 20, 2026.

On April 29, 2016, 500,000 warrants were exercised at a price of \$0.30 for net proceeds of \$150,000.

On May 6, 2016, 500,000 warrants were exercised at a price of \$0.30 for net proceeds of \$150,000.

On May 6, 2016, the Company closed a non-brokered private placement of 20,312,500 units ("Units") at a price of \$0.32 per Unit for gross proceeds of \$6.5 million. Each Unit consists of one common share of the Company and one share purchase warrant entitling the holder to purchase one share at \$0.42 until May 6, 2021. Finder's fees of \$120,508 and 156,250 Units were issued in relation to the private placement.

On May 17, 2016, 500,000 warrants were exercised at a price of \$0.30 for net proceeds of \$150,000

The Company is authorized to issue an unlimited number of common shares. As of the date of this MD&A, the Company had 109,713,295 common shares outstanding on a non-diluted basis. The Company also had 6,819,312 stock options and 43,252,758 common share purchase warrants outstanding, exercisable to acquire one common share of the Company.

## Sandspring Resources Ltd.

Management's Discussion and Analysis  
Three Months Ended March 31, 2016

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### 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.

a) Included in accounts payable are the following amounts due to related parties:

		March 31, 2016		December 31, 2015
Travel expenses reimbursed to officers and directors of the Company	\$	-	\$	4,293
Administrative expenses reimbursed to officers and directors of the Company		-		27
	\$	-	\$	4,320

b) The Company had the following related party transactions during the three months ended March 31, 2016 and 2015:

		March 31, 2016		March 31, 2015
Travel expenses reimbursed to officers and directors of the Company	\$	30,168	\$	31,654
Administrative expenses reimbursed to officers and directors of the Company		6,665		6,177
	\$	36,833	\$	37,831

c) Remuneration of directors and key management of the Company was as follows:

		March 31, 2016		March 31, 2015
Salaries and benefits for management	\$	81,486	\$	316,037
Share-based payments		-		2,182
	\$	81,486	\$	318,219

The Company's directors elected to waive fees for 2016.

### 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.

## Sandspring Resources Ltd.

Management's Discussion and Analysis  
Three Months Ended March 31, 2016

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### 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 had cash of \$2,218,900 at March 31, 2016 (December 31, 2015: \$2,596,210) and restricted cash of \$192,841 (December 31, 2015: \$205,160) to settle current liabilities of \$758,768 (December 31, 2015: \$656,677). 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 March 31, 2016:

	Level 1	Level 2	Level 3	Total
Financial Instruments				
Cash	\$ 2,218,900	\$ -	\$ -	\$ 2,218,900
Restricted cash	192,841	-	-	192,841
	\$ 2,411,741	\$ -	\$ -	\$ 2,411,741

### Currency Risk

The Company's reporting currency is the Canadian dollar and the Company raises its capital in Canadian dollars with expenditures in Canadian and U.S. dollars. The Company funds certain operations, exploration and administrative expenses in Guyana on a cash call basis using U.S. dollar currency converted from its Canadian dollar bank accounts held in Canada. The Company maintains U.S. 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 U.S. 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 planned exploration programs and to meet its ongoing administrative costs. The Company considers its capital to be total shareholders' equity (managed capital) which, at March 31, 2016, totaled \$8,117,267 (December 31, 2015: \$8,639,780).

## **Sandspring Resources Ltd.**

Management's Discussion and Analysis  
Three Months Ended March 31, 2016

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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 three months ended March 31, 2016. 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 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 audited 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:

- (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. The Company's process to manage its risks and other uncertainties, including the risks related to the Company's foreign

## **Sandspring Resources Ltd.**

Management's Discussion and Analysis

Three Months Ended March 31, 2016

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operations, government, environmental, and other regulations, and operating costs is continuous and dynamic. Changes to these risks that result from changing internal and external factors are evaluated on a quarterly basis and significant changes in risks and corresponding mitigation activities are reported quarterly to the Company's Board of Directors. These risks 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. A detailed discussion of the Company's risks can be in the 2015 Audited Consolidated Financial Statements and Management Discussion and Analysis which is available on [www.sedar.com](http://www.sedar.com).

### **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 SRK Consulting (U.S.) Inc. with an effective date of May 8, 2013, entitled "NI 43-101 Technical Report, Pre-Feasibility Study, Toroparu Gold Project, Upper Puruni River Area, Guyana".

### **Cautionary Note 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 that can be profitably extracted; the Company's ability to meet its working capital needs at the current level for the 12-month period ending December 31, 2016; 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; market prices and price volatility for gold, silver and copper; 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, price volatility, changes in debt and equity markets, timing and availability of external financing on acceptable terms, the uncertainties involved in interpreting geological data, uncertainty regarding Sandspring 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,

## **Sandspring Resources Ltd.**

Management's Discussion and Analysis

Three Months Ended March 31, 2016

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changes in economic and political conditions and other risks involved in the mining industry, as well as those risk 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 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.

### **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 at [www.sandspringresources.com](http://www.sandspringresources.com).