



**MacDonald Mines Exploration Ltd.**

**Management's Discussion and Analysis**

Years ended December 31, 2020, and 2019

(Expressed in Canadian Dollars)

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*This Management's Discussion and Analysis ("MD&A") of financial position and results of operations of MacDonald Mines Exploration Ltd. ("MacDonald Mines", "MacDonald" or the "Company") has been prepared based on information available to MacDonald Mines at April 16, 2021, the date of this MD&A, and should be read in conjunction with MacDonald Mines' financial statements and related notes for the years ended December 31, 2020 and 2019. The financial statements and MD&A are presented in Canadian dollars. They have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of financial statements under International Accounting Standard 34, Interim Financial Reporting.*

*Readers are cautioned that this MD&A may contain forward-looking statements and that actual events may vary from management's expectations. Readers are encouraged to read the "Cautionary Statement on Forward-Looking Information" at the end of this MD&A and to consult MacDonald Mines' financial statements and related notes for the years ended December 31, 2020 and 2019 and the corresponding notes to the financial statements, which are available on our website at [www.macdonaldmines.com](http://www.macdonaldmines.com) and under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).*

## **Business Overview and Strategy**

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MacDonald Mines is a publicly listed corporation trading on the TSX Venture Exchange ("TSXV") under the symbol BMK. It is involved primarily in the identification, acquisition, and advancement of mineral exploration properties, focusing on mineral exploration projects located in Northern Ontario. MacDonald Mines' mineral properties are currently in the exploration stage. The Company does not operate any mines.

MacDonald Mines' continued operations are dependent upon the Company's ability to obtain financing for the continued exploration of its mineral properties. The Company has not yet determined whether any of its mineral properties contain mineralization that is economically recoverable.

As of December 31, 2020, the Company had 16 employees, including its President and Chief Executive Officer ("CEO"), and several independent contractors who provide certain professional, administrative and geological services to the Company. The independent contractors include corporations and individuals who may be officers or directors of MacDonald Mines.

On February 22, 2021, the Company announced the appointment of Ms. Mia Boiridy as President and CEO of the Company effective February 28, 2021. Ms. Boiridy is uniquely qualified to lead the MacDonald Mines team with a combination of geology, capital markets experience and excellent communication and engagement skills. Ms. Boiridy holds a BSc. Geology and MSc. Geochemistry from McGill University and has worked closely with Mr. Quentin Yarie and the MacDonald Mines team for the past seven years. Ms. Boiridy was also most recently the President of Red Pine Exploration Inc. Ms. Boiridy stepped down from that position to guide MacDonald Mines through its ongoing exploration programs on the Scadding-Powerline-Jovan ("SPJ") Property. Ms. Boiridy's appointment follows Mr. Yarie's resignation as President and CEO effective February 28, 2021. Mr. Yarie continues to serve as a director and has assumed the role of non-executive Chairman of the Board. In his new role, Mr. Yarie will continue to provide his technical expertise to the Company moving forward.

The long-term business objectives of the Company are to:

1. acquire mineral properties it considers prospective to strengthen its portfolio of properties;
2. advance the geological knowledge of its mineral properties through successive exploration programs; and
3. if deemed advantageous, continue development or dispose of its mineral properties

The value of an exploration property is highly dependent upon the discovery of economically recoverable mineralization, the long-term preservation of the Company's ownership interest in the underlying mineral property, the ability of the Company to obtain the necessary funding to complete sufficient exploration activities on the property, and the prospects of any future profitable production therefrom, or the Company's ability to dispose of its property interests on an advantageous basis.

Risk factors considered in achieving the Company's business objectives include the risk that exploration activities may not result in the discovery of minerals or the definition of any mineral resources or reserves. Significant expenses could be required to define mineral reserves, while environmental, land title and competitive issues may prevent any mineral reserves development. Further, the Company may fail to generate adequate funding to develop mineral reserves.

The Company accepts the risks inherent to mineral exploration programs and the exposure to the cyclical nature of mineral prices. The Company relies on its management team's geological and industry expertise and engages sub-contractors to complete certain aspects of its exploration programs.

## **Significant Events**

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### **Capital**

#### ***Fiscal 2020***

On February 18, 2020, the Company granted 4,725,000 stock options to directors, officers, employees, and consultants at an exercise price of \$0.08. These five-year options vested immediately upon grant and had a fair value of \$324,679. See note 16(b) to the financial statements.

On April 21, 2020, the Company closed a non-brokered private placement offering of securities for total gross proceeds of \$994,781. The Company issued a total of 7,350,428 flow-through common shares at \$0.07 per share and 7,388,480 units at \$0.065 per unit. Each unit comprised one common share in the capital of the Company and one-half of one common share purchase warrant, with each warrant being exercisable to acquire one common share at \$0.10 per share for a period of 24 months following the closing date of the placement. In connection with the placement, the Company paid a cash commission of \$65,242 and issued 396,216 common shares of the Company to finders connected with the flow-through shares and units subscribed for by purchasers introduced to the Company by such finders. The fair value of the warrants issued under the financing was \$0.06 per warrant.

On August 5, 2020, the Company closed a non-brokered private placement offering of securities for total gross proceeds of \$4,245,850 consisting of (i) 9,332,223 "charity flow-through" units at \$0.135 each (the "Charity FT Unit Offering") and (ii) 29,860,000 "flow-through" units at \$0.10 each (the "FT Unit Offering" and, together with the Charity FT Unit Offering, the "Offering"). Each unit was comprised of one common share and one-half of one common share purchase warrant. Each warrant is exercisable to acquire one common share at \$0.20 for a period of 24 months from the closing of the Offering. If the closing price of the common shares is at a price equal to or greater than \$0.35 for a period of 10 consecutive trading days, MacDonald will have the right to accelerate the expiry date of the warrants by giving notice, via a news release, to the holders of the warrants that the warrants will expire on the date that is 30 days after the issuance of the said news release. In connection with the closing, the Company paid cash commissions of \$270,540 and issued 2,301,756 finder's warrants under and following applicable securities laws and TSX Venture Exchange policy. The finder's warrants have the same terms as the warrants. The fair value of the warrants issued under the Offering was \$0.03 per warrant.

On August 21, 2020, the Company granted 4,395,560 stock options to directors, employees, officers and consultants at an exercise price of \$0.13 per common share. These five-year options vested immediately upon grant and had a fair value of \$407,200. See note 16(b) to the financial statements.

On September 14, 2020, the Company issued 409,091 common shares pursuant to the Jovan and Powerline property acquisitions. The fair value of the shares issued was \$45,000. See below.

On September 30, 2020, the Company issued 300,000 common shares pursuant to the Loney property acquisition. The fair value of the shares issued was \$30,000. See below.

#### ***Fiscal 2019***

On August 14, 2019, the Company closed the first tranche of a non-brokered private placement financing for gross proceeds of \$482,000. The Company issued 7,700,000 units at \$0.05 per unit and 1,940,000 flow-through common shares at \$0.05 per share. Each unit consisted of one common share and one-half of one common share purchase warrant exercisable for a period of two years at an exercise price of \$0.075 per purchase warrant. As part of the financing, the Company paid \$10,180 cash commission, issued 28,000 compensation shares to certain brokers and issued 140,000 non-transferable compensation options giving the holder thereof the option to acquire common shares for a period of 24 months from the date of issuance at an exercise price of \$0.05 per compensation option. The fair value of the compensation options and the warrants issued under this tranche was \$0.05 per unit.

On August 13, 2019, the Company issued 800,000 common shares pursuant to the Jovan and Powerline property acquisitions. The fair value of the shares issued was \$40,000.

On August 15, 2019, the Company issued 3,000,000 common shares for the Blueberry property acquisition. The fair value of the shares issued was \$150,000.

On August 26, 2019, the Company closed the second tranche of a non-brokered private placement financing for gross proceeds of \$518,000. The Company issued 10,160,000 units at \$0.05 per unit and 200,000 flow-through common shares at \$0.05 per share. Each unit consisted of one common share and one-half of one common share purchase warrant exercisable for a period of two years at an exercise price of \$0.075 per purchase warrant. As part of the financing, the Company paid a \$34,040 cash commission and issued 656,000 non-transferable compensation options giving the holder the option to acquire common shares for 24 months from the date of issuance at an exercise price of \$0.05 per compensation option. The fair value of the compensation options and the warrants issued under this tranche was \$0.05 per unit.

On September 4, 2019, the Company issued 8,000,000 common shares in connection with the Currie Rose property agreement. The fair value of the shares issued for the property was \$640,000. 514 Finance Inc. ("514") acted as an arms-length advisor for this transaction and the Company issued 2,000,000 common shares for its services. The fair value of the common shares issued to 514 was \$160,000.

On September 10, 2019, the Company issued 10,000,000 common shares in relation to the Northern Sphere property agreement. The fair value of the common shares issued was \$900,000.

On October 7, 2019, the Company closed a non-brokered private placement for aggregate gross proceeds of \$1,500,000. Under the placement, the Company issued 18,750,000 units at \$0.08 per unit, each such unit comprised one common share of the Company and one share purchase warrant. Each warrant is exercisable to acquire one common share for a period of three years from the date of issuance at \$0.11. The Company paid a total of \$10,750 in service fees in connection with the Offering. The fair value of the warrants issued under the financing was \$0.14 per warrant.

On November 8, 2019, the Company issued 2,075,000 shares in connection with the property acquisitions of the Loney property (200,000 shares) and the Golden Copper property (1,875,000 shares). The fair value of the shares issued was \$20,000 and \$187,500, respectively.

On December 18, 2019, the Company closed a non-brokered private placement of 1,480,000 flow-through common shares of the Company at \$0.125 per common share for gross proceeds of \$185,000. In connection with this closing, the Company paid finders fees of \$7,000 and issued 56,000 compensation warrants, with each compensation warrant exercisable to acquire one common share of the Company at \$0.125. The fair value of the compensation warrants issuable under the financing was \$0.05 per warrant. As a result of the flow-through financing, the Company recognized a deferred flow-through premium of \$66,600.

During 2019, the Company granted 3,105,000 stock options to directors, officers, employees and consultants at an exercise price of \$0.10. These five-year options vested immediately upon grant and had a fair value of \$247,489.

During 2019, the Company issued 28,532,000 warrants as part of equity financings at a weighted average exercise price of \$0.11. Also, during 2019, 4,981,886 warrants were exercised at a weighted average exercise price of \$0.10, while 14,539,743 warrants expired at a weighted average exercise price of \$0.12.

## **Exploration Activities and Property Acquisitions and Dispositions**

### ***Scadding-Powerline-Jovan Property***

The SPJ property consists of the Scadding, Powerline, Jovan, Blueberry, Loney and Golden Copper properties located east of Sudbury in Northern Ontario.

On April 24, 2019, the Company signed definitive agreements with both Northern Sphere Mining Corp. ("Northern Sphere") and Currie Rose Resources Inc. ("Currie Rose") to purchase a 100% interest in the leases comprising the Scadding Mine, as well as additional mineral claims that surround the permitted Scadding Mine site (collectively, the "Scadding Mine"). The

Scadding Mine is located in Scadding Township near the Wanapitei – Ashigami Lakes district, 40 kilometres east of Sudbury, Ontario. Northgate Exploration initially mined the site in the 1980s.

To acquire Northern Sphere's 51% interest in the Scadding Mine and 100% interest in the surrounding claims, the Company:

- issued 10,000,000 of the Company's common shares upon transfer of title (the shares were issued on September 10, 2019, with a fair value of \$900,000);
- made a \$100,000 cash payment (the \$100,000 was paid on the closing of the transaction); and
- incurred \$300,000 in eligible exploration expenditures in the 12 months following the acquisition of the Scadding Mine .

To acquire Currie Rose's 49% interest in the Scadding Mine, the Company:

- issued 8,000,000 of the Company's common shares (the shares were issued on September 4, 2019, with a fair value of \$640,000);
- made a \$50,000 cash payment on transfer of title (the \$50,000 was paid on the closing of the transaction); and
- incurred \$1.5M of eligible exploration expenditures on the leases partially comprising the Scadding Mine.

As part of the agreement, Currie Rose retains a 3% Net Smelter Return ("NSR") on the property. Upon reaching commercial production, the Company agrees to pay Currie Rose \$2,000,000 to reduce the NSR to 2.5%. An additional 1% of the NSR can be bought back for \$1,000,000. 514 Finance Inc. acted as an arms-length advisor to the Company for this transaction and received 2,000,000 common shares of the Company for its services.

On July 9, 2019, the Company announced the expansion of its SPJ Property. The Company staked 14 claims and purchased an additional 130 claims from Blueberry Development. To acquire a 100% interest in the claims owned by Blueberry Development, MacDonald paid the seller \$50,000 in cash and issued 3,000,000 common shares. The deal closed on August 15, 2019 and the fair value of the common shares issued was \$150,000. On August 6, 2020, the Company made a cash payment of \$66,000 and on September 14, 2020 the Company issued 409,091 common shares with a fair value of \$45,000 in accordance with the agreement.

On September 2, 2019, the Company agreed to acquire a 100% interest in 151 claims from Klondike Bay Resources (Loney Property). The claims are contiguous to MacDonald's property and cover future extensions of the gold-rich Iron-Oxide-Copper-Gold ("IOCG") system identified at the Scadding Mine. The consideration payable by the Company was as follows:

- \$20,000 and 200,000 common shares on the signing of the agreement;
- \$30,000 and 300,000 common shares on or before the first anniversary of the agreement; and
- \$30,000 and 250,000 common shares on or before the second anniversary of the agreement.

The Company made a cash payment of \$20,000 upon signing the definitive agreement. On November 8, 2019, the Company issued 200,000 common shares, the fair value of which was \$20,000. The 300,000 common shares due on the first anniversary of the agreement were issued on September 30, 2020, with a fair value of \$33,000, while the \$30,000 cash payment was made on November 3, 2020.

On October 2, 2019, the Company agreed with Golden Copper Corp. to purchase a 100% interest in 38 mining claims located 35 kilometres from Sudbury, Ontario. The Company made a cash payment of \$5,000 upon signing of the definitive agreements. On November 8, 2019, the Company issued 1,875,000 common shares, the fair value of which was \$187,500.

The new claims add to MacDonald's large SPJ Property package and cover prospective extensions of the potential IOCG system identified at the Scadding Mine. The Scadding Mine produced 29,000 oz of gold from 127,000 tonnes of mineralized material grading 7.2 g/t (OFR 5771), and the large land package surrounding the mine has also yielded multiple discovery areas to explore, including significant showings of copper, cobalt, nickel and silver in addition to high-grade gold.

#### Holdsworth Property

On August 24, 2020, MacDonald sold all of its interest in the Holdsworth Property back to Nobel Mineral Exploration Inc. ("Noble"). As consideration for the property, Noble issued to MacDonald 4,000,000 common shares of Noble, as well as 2,000,000 warrants

which expire three years after issuance and are exercisable at \$0.15 per common share of Noble. The fair value of the total consideration received was \$481,419.

### McFaulds Lake and Area Properties

In 2020, the Company sold its 25% interest in the McFaulds Lake and area properties to Juno Corp. ("Juno"), a private company. As consideration for the properties, the Company received \$55,000 cash and 500,000 common shares in the capital of Juno. The fair value of the common shares received was \$0.20 per share, determined using Juno's share price for its' most recent financing prior to the transaction, for a total fair value of \$100,000.

On January 22, 2021, the Company sold its shares in Juno to various third parties for a total of \$185,000, representing a price of \$0.37 per common share.

On February 15, 2021, the Company acquired a 100% interest in 4 claims located on the Jovan property for a total consideration of \$75,000 cash and 1,071,429 Class A common shares of the Company at CDN\$0.07 per share (based on the previous 5-day VWAP prior to closing date), for a total fair value of \$75,000.

The following table summarizes the cumulative exploration and evaluation expenditures the Company has incurred on the various properties it owns:

### ***December 31, 2020***

	SPJ	Charlevoix	Total
Balance, January 1 2020	\$ 3,953,569	\$ 689,218	\$ 4,642,787
Property acquisition costs	174,000	-	174,000
Exploration expenditures	3,259,012	-	3,259,012
<b>Balance, December 31, 2020</b>	<b>\$ 7,386,581</b>	<b>\$ 689,218</b>	<b>\$ 8,075,799</b>
Balance, January 1 2019	\$ 551,718	\$ 689,218	\$ 1,240,936
Property acquisition costs	2,257,353	-	2,257,353
Exploration expenditures	1,144,498	-	1,144,498
Balance, December 31, 2019	\$ 3,953,569	\$ 689,218	\$ 4,642,787
Balance, January 1, 2018	\$ -	\$ 687,060	\$ 687,060
Property acquisition costs	57,500	-	57,500
Exploration expenditures	494,218	2,158	496,376
Balance, December 31, 2018	\$ 551,718	\$ 689,218	\$ 1,240,936

### **Outlook**

In the spring of 2019, the Company acquired the Scadding Mine, located in the Scadding Township near the Wanapitei – Ashigami Lake district, 40 kilometres east of Sudbury, Ontario. In the late summer of 2019, the Company purchased an additional 151 claims in the Wanapitei Lake area, 33 kilometres east of Sudbury, Ontario. The additional claims expanded the SPJ property to the north and east of the existing property boundaries. With the Scadding Mine purchase and the acquisition of additional prospective target ground, the Company controls 18,340 hectares on its SPJ Property in an under-explored, polymetallic gold district that exhibits similarities to the Idaho Cobalt Belt and Tennant Creek District with IOCG-like mineralization.

Gold mineralization on the SPJ property, which can also be enriched in copper, cobalt, nickel, rare earth elements and silver, occurs in the deformed sedimentary rocks of the Huronian Supergroup and diabase intrusions of the Nipissing suite. Polymetallic mineralization is principally associated with a regional albitization event that affected most of the Southern Province of Ontario between 1690Ma – 1740Ma. Sodic alteration occurs along kilometre-long structural corridors. It was not always recognized and often confused with quartzite, silicification and chert. Very intense sodic alteration led to the formation of albitites with Na<sub>2</sub>O reaching up to 10 wt. %. We believe the sodic alteration zones are tracing areas of enhanced permeability for the circulation of metal-bearing fluids and are preferentially hosting zones of polymetallic gold mineralization (Au, Co, Cu, Ni, Ag, REE). The metal assemblages present in the zones of mineralization, the association of gold mineralization with iron-rich alteration, the formation of significant iron oxide alteration zones, and the formation of regional corridors of sodic alteration suggest that mineralization on the SPJ property relates to a possible IOCG system. IOCGs are not a typical style of gold mineralization in Canada, but comparable gold-rich mineralization associated with IOCG hydrothermal systems occur in Finland, Australia and the United States.

In October 2019, the Company filed a National Instrument 43-101 technical report for the SPJ Project on SEDAR. The report outlines recommended exploration work.

The 2019 and 2020 exploration programs consisted of regional prospecting and diamond drilling on the SPJ property. The Company focused on expanding known zones of mineralization, understanding the geological controls on mineralization, and proving the grade and distribution of gold and other metals like copper, cobalt, nickel and silver. The inaugural drilling program on the SPJ Project was launched the summer of 2019. It was focused on confirming and expanding zones of high-grade gold mineralization in the Scadding Deposit. By December 31, 2020, 83 holes had been completed at Scadding for a total of 13,575 metres.

In the winter of 2019 and then in the summer of 2020, the Company completed multiple induced polarization (IP) surveys over the Scadding deposit's core zones, over key showings of the property and the interpreted extension of the mineralization trends. The IP surveys indicated that the mineralized system at Scadding is controlled by a series of folds in the sedimentary rocks and that the hydrothermal and structural footprints of the system considerably extend beyond the currently known footprint of the deposit.

In August 2020, a second phase of the 2020 program was launched to further define the Scadding Deposit's geometry. The program targeted a series of folds and hinge zones identified as the hosts of the higher-grade gold mineralization zones at the North, South and E-W pits and the historical Scadding underground mine. Highlights of the 2019 and 2020 drilling results are presented in the table below.

Groundwork, geophysics and drilling also continued on several other regional targets on the large SPJ property. The Company completed five ground IP surveys, one centred on the Scadding Deposit, which also covered the Glade showings, 1 km to the south; three in the Jovan sector of the property covering the Brady, Palkovits and Limestone showings, and one in the Powerline sector covering the Long Trench showing. These IP survey results enable MacDonald to refine its predictive modelling further and select targets as it continues exploration beyond the historical Scadding mine footprint.

**Highlights of Scadding drilling programs to date:**

Hole	From (m)	To (m)	From (m)	To (m)	Length (m)*	Visible gold	Gold (g/t)
SM-19-001	8.67	15.88			7.21		11.2
	Including		14.95	15.88	0.93		77.2
	25.20	30.71			5.51		5.7
	Including		27.31	28.71	1.40	VG	17.2
	37.84	50.11			12.27		52.0
	Including		45.95	46.7	0.75	VG	361.2
	Including		46.70	47.85	1.15	VG	179.2
	Including		47.85	48.90	1.05		136.5

Hole	From (m)	To (m)	From (m)	To (m)	Length (m)*	Visible gold	Gold (g/t)
SM-19-002	21.20	27.83			6.63		9.7
	Including		23.74	24.72	0.98	VG	39.0
	32.34	38.77			6.43		3.4
	Including		37.00	37.93	0.93	VG	13.4
	43.15	47.63			4.48		6.0
	Including		43.15	44.02	0.87	VG	23.2
SM-19-003	27.88	34.02			6.14		11.1
	Including		31.42	32.20	0.78	VG	38.8
	127.07	128.87			1.8.0		3.3
SM-19-004	11.20	13.20			2.00		7.4
	73.75	75.12			1.37		3.0
	83.91	84.75			0.84	VG	20.4
SM-19-005	49.50	50.33			0.83	VG	13.4
	59.67	60.35			0.68	VG	1.8
	73.13	740.00			0.87	VG	40.6
	106.20	107.20			1.00	VG	15.2
SM-19-008	129.16	130.00			0.84		21.6
	134.31	135.16			0.85	VG	4.2
SM-19-009	165.08	166			0.92		3.4
SM-19-010	195.66	196.66			1.00		2.2
SM-19-011	21.47	22.45			0.98		1.7
SM-19-012	49.70	54.63			4.93		9.5
	Including		51.50	52.00	0.50	VG	35.8
	Including		54.19	54.63	0.44	VG	24.1
	89.64	93.50			3.86		4.2
	105.90	115.33			9.43		4.1
	Including		109.97	110.87	0.90		9.2
SM-19-014	50.42	54.95			4.53		4.3
	Including		52.75	53.92	1.17		8.8
SM-19-016	91.26	99.11			7.85		12.1
	Including		97.10	98.10	1.00		71.1
SM-19-017	68.34	80.00			11.66		2.7
	Including		73.00	74.37	1.37		13.4
SM-19-018	31.45	32.52			1.07	VG	4.0
SM-19-022	16.00	20.98			4.98	VG	10.9
	Including		16.00	17.00	1.00		9.5
	Including		17.00	17.90	0.90		8.6

Hole	From (m)	To (m)	From (m)	To (m)	Length (m)*	Visible gold	Gold (g/t)
	Including		17.90	18.95	1.05		7.9
	Including		18.95	19.99	1.04		9.5
	Including		19.99	20.98	0.99	VG	20.4
	28.00	42.20			14.20	VG	10.8
	Including		34.00	34.95	0.95	VG	70.8
	Including		38.37	39.27	0.90	VG	28.7
SM-19-024	17.03	18.06			1.03		2.9
SM-19-025	10.26	14.80			4.54		5.5
	Including		12.00	14.80	2.80	VG	7.7
	20.50	22.14			1.64		0.8
	87.57	89.50			1.93	VG	2.4
SM-20-026	58.98	78.05			19.07	VG	59.2
	Including		71.00	72.07	1.07		25.1
	Including		72.07	73.00	0.93		411.0
	Including		73.00	73.96	0.96	VG	735.5
SM-20-028A	37.30	38.55			1.25		4.2
SM-20-031	61.35	62.35			1.00		5.9
	94.30	95.77			1.47	VG	1.9
	Including		94.30	95.00	0.70		2.6
	Including		95.00	95.77	0.77	VG	1.3
	101.34	107.10			5.76	VG	0.6
	Including		102.60	103.3	0.7		1.5
	Including		103.30	104.04	0.74		0.5
	Including		104.80	105.55	0.75		0.7
	Including		106.30	107.10	0.80	VG	1.1
	118.10	119.45			1.35	VG	4.2
	Including		118.10	118.77	0.67		1.9
	Including		118.77	119.45	0.68	VG	6.3
SM-20-032	35.04	36.85			1.81	VG	16.1
	Including		30.54	35.54	0.50	VG	40.7
SM-20-033	64.70	66.10			1.40	VG	3.6
	Including		64.70	65.36	0.66	VG	0.6
	Including		65.36	66.10	0.74		6.4
	74.20	75.31			1.11	VG	0.6
SM-20-034	114.49	118.62			4.13	VG	3.7
	Including		116.25	117.35	1.10	VG	10.2
SM-20-035	132.30	137.00			4.80	VG	4.3

Hole	From (m)	To (m)	From (m)	To (m)	Length (m)*	Visible gold	Gold (g/t)
	Including		134.77	135.45	0.68	VG	<b>0.7</b>
	Including		135.45	136.13	0.68	VG	<b>14.6</b>
SM-20-36	136.54	137.40			0.86		1.7
	137.40	138.39			0.99		3.4
SM-20-041	11.76	16.89			5.13	VG	27.2
	Including		11.76	12.73	0.97	VG	23.6
	Including		15.02	15.86	0.84	VG	34.4
	Including		15.86	16.89	1.03	VG	79.3
SM-20-043	3.72	9.76			6.04		2.3
	Including		6.54	7.41	0.87		9.2
	40.00	42.05			2.05		3.0
SM-20-046	121.10	122.60			1.50		4.8
SM-20-047	57.16	60.00			2.84		0.7
	78.35	80.26			1.91	VG	1.2
SM-20-048	48.71	51.16			2.45		0.4
	133.47	137.1			3.63	VG	1.5
	Including		134.30	135.13	0.83	VG	0.7
	Including		136.11	137.10	0.99	VG	4.3
SM-20-049	49.14	51.73			2.59	VG	1.3
	Including		49.91	50.68	0.77	VG	2.7
SM-20-059	70.73	73.00			2.27		2.4
	77.81	81.53			3.72		1.7
	158.02	168.57			10.55		1.1
SM-20-062	30.00	47.06			17.06	VG	3.9
	Including		30.88	32.19	1.31	VG	<b>7.3</b>
	Including		39.40	40.40	1.00		<b>20.5</b>
	Including		42.55	43.74	1.19		<b>17.6</b>
SM-20-063	43.14	47.89			4.75	VG	<b>10.2</b>
	Including		43.14	44.14	1.00	VG	<b>7.2</b>
	Including		45.08	46.00	0.92		<b>19.5</b>
	Including		46.00	47.04	1.04		<b>10.6</b>
	Including		47.04	47.89	0.85		<b>9.8</b>
SM-20-065	4.00	17.23			13.23	VG	7.1
	Including		9.10	10.19	1.09		41.4
	Including		13.69	14.69	1.00		22.6
SM-20-069	67.90	69.17			1.27		3.5
SM-20-070	70.18	77.51			7.33		1.7

Hole	From (m)	To (m)	From (m)	To (m)	Length (m)*	Visible gold	Gold (g/t)
	93.53	105.56			12.03		2.0
	Including		97.71	100.58	2.87		6.0
SM-20-072	119.46	123.13			3.67		5.7
	Including		119.46	120.46	1.00		17.3
SM-20-077	36.32	38.19			1.87		7.4
SM-20-079	5.31	8.34			3.03	VG	4.9
	Including		7.39	8.34	0.95	VG	15.7

\* Assay results presented over core length.

The Company continues to identify and analyze potential new prospective projects to acquire in Canada.

## Results of Operations

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### *Fourth Quarter ended December 31, 2020 (Q4 2020)*

The Company realized a net loss in the fourth quarter of 2020 of \$1,172,674 (Q4 2019 – net loss \$2,040,945) mainly due to a significant increase in exploration activities.

The Company incurred \$1,300,460 in exploration expenditures in Q4 2020 (Q4 2019 – \$1,629,510) relating to exploration activity on the SPJ property.

Salaries, professional and consulting fees for the fourth quarter of 2020 were \$179,968 (Q4 2019 – \$68,333). This increase is due to the timing of certain legal, audit and consulting costs.

Shareholder communication expenses in the current quarter declined to \$51,491 (Q4 2019 – \$146,834), as a result of decreased activity this year.

### *Fiscal 2020*

The Company realized a net loss during the year ended December 31, 2020 of \$3,359,348 (2019 – net loss \$4,281,637) as a result of exploration activities, shareholder communication expenses, share-based compensation and salaries, professional and consulting fees.

Exploration expenditures increased to \$3,259,012 in 2020 (2019 – \$1,163,027), while property acquisition costs decreased to \$174,000 (2019 – \$2,257,357). The increase in exploration expenditures is attributable to increased exploration activity on the SPJ property. The overall exploration expenditures for 2020 are consistent with the prior year comparable period.

Salaries, professional and consulting fees in the current year were \$358,755 (2019 – 296,356). Professional fees include legal and audit costs related to compliance, government relations, personnel and consultants as well as other legal costs related to business development initiatives.

Shareholder communication expenses incurred during 2020 increased to \$306,956 (2019 – \$221,853) on higher investor relation activity and shareholder filing fees associated with the two private placements that occurred during the year. Shareholder communication expenses consist of filing, listing, transfer agent, and investor relation fees, as well as communications consultant expenses.

The Company expensed \$731,879 (2019 – \$247,589) in share-based compensation in 2020 resulting from the granting of 9,120,560 stock options (2019 – 3,105,000) to officers, directors and consultants of the Company.

## Summary of Quarterly Information

(Expressed in Canadian dollars)

	Q4 2020	Q3 2020	Q2 2020	Q1 2020
<b>Statement of Loss and Comprehensive Loss</b>				
Exploration expenditures	\$ 1,300,460	\$ 1,230,545	\$ 265,636	\$ 636,371
Share-based payments	-	407,200	-	324,679
Net loss	(1,172,674)	(1,313,031)	(480,019)	(393,623)
Basic and diluted loss per share	\$ (0.02)	\$ (0.01)	\$ (0.00)	\$ (0.00)
<b>Statement of Financial Position</b>				
Cash & cash equivalents	\$ 1,883,960	\$ 3,676,686	\$ 762,348	\$ 536,717
Total assets	2,935,731	4,329,656	957,101	688,621
Total liabilities	709,466	1,011,073	761,370	924,729
Shareholders' equity (deficiency)	\$ 2,226,265	\$ 3,318,585	\$ 195,730	\$ (236,109)
	Q4 2019	Q3 2019	Q2 2019	Q1 2019
<b>Statement of Loss and Comprehensive Loss</b>				
Exploration expenditures	\$ 1,629,510	\$ 1,624,293	\$ 146,575	\$ 20,002
Share-based payments	247,489	-	-	-
Net loss	(2,040,945)	(1,936,402)	(205,922)	(98,368)
Basic and diluted loss per share	\$ (0.02)	\$ (0.02)	\$ (0.00)	\$ (0.00)
<b>Statement of Financial Position</b>				
Cash & cash equivalents	\$ 847,448	\$ 700,038	\$ 474,127	\$ 457,145
Total assets	1,335,729	766,394	545,784	566,838
Total liabilities	1,499,288	1,744,480	2,106,964	1,922,098
Shareholders' equity (deficiency)	\$ (163,559)	\$ (978,086)	\$ (1,561,180)	\$ (1,355,260)

## Mineral Properties

### SPJ Property

On April 24, 2019, the Company signed definitive agreements with both Northern Sphere Mining Corp. ("Northern Sphere") and Currie Rose Resources Inc. ("Currie Rose") to purchase a 100% interest in the leases comprising the Scadding Mine, as well as additional mineral claims that surround the permitted Scadding Mine site, located east of Sudbury in Northern Ontario. The Scadding Mine is located in Scadding Township near the Wanapitei – Ashigami Lakes district, 40 kilometres east of Sudbury, Ontario. Northgate Exploration initially mined the site in the mid-1980s.

As part of the agreement, Currie Rose retains a 3% NSR on the property. Upon reaching commercial production, the Company has agreed to pay Currie Rose \$2,000,000 to reduce the NSR to 2.5%. An additional 1% of the NSR can be bought back for \$1,000,000.

On July 9, 2019, the Company signed an agreement with Blueberry Cobalt Project Corp. to purchase a 100% interest in certain claims located in Greater Sudbury, Ontario.

On September 2, 2019, the Company signed an agreement with Klondike Bay Resources to acquire a 100% interest in 151 claims in the Wanapitei Lake area, 33 kilometres northeast of Sudbury, Ontario. The claims are contiguous to MacDonald's property and cover prospective extensions of the gold-rich system identified at the Scadding Mine.

On October 2, 2019, the Company signed an agreement with Golden Copper Corp. to purchase a 100% interest in 38 mining claims located 35 kilometres from downtown Sudbury, Ontario. The new claims add to MacDonald's large SPJ Property package and cover prospective extensions of the system identified at the Scadding Mine.

On July 18, 2018, the Company announced that it had acquired an option to earn a 100% interest in the Jovan and Powerline properties. The purchase price was structured to be payable over three years and included cash payments totalling \$225,000, the issuance of commons shares valued at \$180,000 and the commitment to spend up to \$800,000 in exploration activities. See details of cash and share payments in respect of these property acquisitions above and also in Note 10(a) to the Company's 2020 audited financial statements.

Please see pages 4 and 5, "Exploration Activities and Property Acquisitions and Dispositions", for detailed terms of the purchase consideration for the properties comprising the SPJ Property.

### **Holdsworth Property**

On December 7, 2016 ("the "Effective Date"), the Company entered into an Option and Joint Venture ("JV") agreement ("the Option Agreement") with Noble to advance exploration on Noble's Wawa-Holdsworth Gold and Silver Project (the "Holdsworth Project") located 25 kilometres northeast of Wawa, Ontario. Subject to the terms and conditions of the Option Agreement, the Company had the right to earn up to an undivided 75% interest in the Project, comprising the first option to earn a 51% base interest (the "Base Interest") and a second option to earn an additional 24% interest. The property covers 18 contiguous patented mining claims covering approximately 285 hectares.

To earn an initial 51% undivided interest in the Holdsworth Project, the Company issued 2,500,000 of its common shares and 2,500,000 share purchase warrants to Noble and must incur a minimum of \$1,200,000 in expenditures in the 18 months following the Effective Date. The share purchase warrants have an exercise price of \$0.15 and expire three years from the date of issue. The Company issued the common shares and share purchase warrants on January 12, 2017. To earn the additional 24% undivided interest, the Company was to incur a further \$1,000,000 of expenditures on or before the second anniversary of the date the 51% Base Interest is exercised and earned and make a payment of \$100,000 to Noble.

On May 3, 2017, the Option Agreement was replaced with a purchase agreement whereby the Company agreed to acquire the Holdsworth Project from Noble (the "Purchase Agreement"). The purchase price comprised: (i) 5,500,000 units of the Company; (ii) the granting of a 1.5% net smelter return royalty in favour of Noble; and (iii) the payment of the equivalent of 5,000 ounces of gold once a mineral reserve or resource had been identified compliant with National Instrument 43-101 guidelines. Each unit shall comprise one common share and one share purchase warrant of the Company, with each share purchase warrant having an exercise price of \$0.30 and a 3-year term from the date of issue. The Purchase Agreement supersedes the Option Agreement. Payment of the 5,500,000 units was to be issued in tranches to ensure Noble's shareholdings in the Company does not exceed 9.9%.

On October 25, 2018, the Company announced that it had elected to cease any further work at its Wawa-Holdsworth Project and focus its efforts on the Jovan and Powerline properties. The remaining shares and warrants will no longer be issued under the Purchase Agreement. In total, the Company issued 5,225,000 units to Noble under the Purchase Agreement.

As noted above, on August 24, 2020, the Company entered into an agreement with Noble to sell all of its interest in the Holdsworth Project back to Nobel. As consideration for the property, the Company received 4,000,000 common shares of Noble, as well as 2,000,000 warrants which expire three years after issuance and are exercisable at \$0.15 per common share. The shares and the warrants were subject to a four-month hold period.

### **Charlevoix - Silica Property**

On November 18, 2016, the Company entered into a purchase agreement with 9019-5504 Quebec Inc. to acquire a 100% interest in certain mining claims located in the Province of Quebec known as the Charlevoix Silica Property. For the mining claims' purchase, the Company issued 9,000,000 common shares on January 12, 2017, valued at \$0.07 each for a total fair value of \$630,000.

### **McFaulds Lake and Area Properties**

As noted above, during 2020, the Company sold its remaining interest in the McFaulds Lake and area properties to Juno. As consideration for the properties, the Company received \$55,000 in cash and 500,000 common shares in the capital of Juno. As noted above, on January 22, 2021 the Company sold its shares in Juno to various third parties for a total sum of \$185,000.

### **Liquidity and Capital Management**

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Cash flow (used in)/provided by operating and financing activities for the years ended December 31, 2020, and 2019 was as follows:

	<b>2020</b>	<b>2019</b>
Net cash used in operating activities	\$ (3,868,955)	\$ (2,601,124)
Net cash provided by investing activities	(27,851)	-
Net cash provided by financing activities	4,933,318	3,096,581
	<u>\$ 1,036,512</u>	<u>\$ 495,457</u>

At December 31, 2020, the Company had cash and cash equivalents of \$1,883,960 (Dec. 31, 2019 – \$847,448) and working capital of \$2,172,744 (Dec. 31, 2019 – working capital deficit \$170,406), respectively.

There were no changes in the Company's approach to capital management during the year ended December 31, 2020.

In managing liquidity, the Company's primary objective is to ensure the entity can continue as a going concern while raising additional funding to meet its obligations as they come due. The Company's operations to date have been funded by issuing equity.

The Company's investment policy is to invest excess cash in very low-risk financial instruments such as term deposits or holding funds in high yield savings accounts with major Canadian banks. Financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest rate risk.

The Company's mineral property interests are all in the exploration stage. As such, the Company is dependent on external financing to fund its exploration activities and administrative costs. Management continues to assess the merits of mineral properties on an ongoing basis and may seek to acquire new properties or increase ownership interests if it believes there is sufficient geologic and economic potential.

Management mitigates the risk and uncertainty associated with raising additional capital in adverse economic or stock market conditions through cost control measures that minimize discretionary disbursements and reduces exploration expenditures that are deemed of limited strategic value.

The Company manages its capital structure (consisting of shareholders' equity or deficit) on an ongoing basis and makes adjustments in response to changes in economic or stock market conditions and its underlying assets' risk characteristics. Adjustments to the Company's capital structure may involve the issuance of new shares, debt, acquisition or disposition of assets, or adjustments to the amounts held in cash, cash equivalents and short-term investments.

The Company is not subject to any externally imposed capital requirements other than flow-through spending.

### **Related Party Transactions**

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The Board of Directors and the executive management team have authority and responsibility for planning, directing and controlling the Company's activities. The executive management team comprises the Company's: (i) President and Chief Executive Officer; and (ii) Chief Financial Officer. Compensation for key management personnel of the Company for the year ended December 31, 2020, and 2019 was as follows:

	<b>2020</b>	<b>2019</b>
Short-term benefits <sup>(1)</sup>	\$ 275,669	\$ 117,906
Share-based payments <sup>(2)</sup>	472,363	135,501
	<b>\$ 748,032</b>	<b>\$ 253,407</b>

<sup>(1)</sup> Includes salary and professional fees and exploration expenditures

<sup>(2)</sup> Represents the expense of stock options vested during the period.

At December 31, 2020, included in taxes and other receivables is an amount of \$31,420 (December 31, 2019 – \$251,497) related to exploration and general and administrative charges to companies under common management. Included in accounts payable and accrued liabilities is an amount of \$61,341 (December 31, 2019 - \$34,917) owing to an officer of the Company.

## **Outstanding Share Data**

MacDonald Mines is authorized to issue an unlimited number of common shares.

As of April 16, 2021, the date of this MD&A, the number of common shares outstanding or issuable under other outstanding securities is as follows:

<b>Common Shares</b>	<b>Number</b>
Outstanding	213,294,290
Issuable upon the exercise of share purchase warrants <sup>(1)</sup>	53,790,831
Issuable upon the exercise of stock options <sup>(2)</sup>	15,380,560
Fully diluted common shares	282,465,681

(1) 53,790,831 common share purchase warrants were outstanding, with exercise prices ranging from \$0.05 to \$0.30 per common share.

(2) There were 15,380,560 stock options under the Company's Stock Option Plan outstanding to directors, officers and consultants with exercise prices ranging from \$0.08 to \$0.18 per common share.

## **Critical Accounting Estimates**

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting periods. Judgements, estimates and assumptions are continuously evaluated and are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience. However, actual outcomes may differ from the amounts included in the financial statements.

The Company's significant accounting policies and estimates are disclosed in Note 3 to the Company's 2020 financial statements.

## **New Accounting Standard Adopted by the Company**

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Certain pronouncements have been issued by the IASB that are effective for annual periods beginning on or after January 1, 2020. The Company has assessed the amendments and determined that there is no material impact on the accounting and presentation of the financial statements.

Certain pronouncements have been issued by the IASB that are applicable for accounting periods after December 31, 2020. There are currently no such pronouncements that are expected to have a significant impact on the Company's financial statements upon adoption.

## **Off-Balance Sheet Arrangements**

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The Company does not have off-balance sheet arrangements, including any arrangements that would affect liquidity, capital resources, market risk support, credit risk support, or other benefits.

## **Dividends**

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The Company has neither declared nor paid any dividends on its common shares. The Company intends to retain its earnings, if any, to finance growth and expand its operations and does not anticipate paying any dividends on its common shares in the foreseeable future.

## **Internal Controls Over Financial Reporting**

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The Company has established procedures and internal control systems to ensure the timely and accurate preparation of financial, management and other reports. The Chief Executive Officer and Chief Financial Officer certify financial reports. Disclosure controls are in place to ensure all reporting meets statutory reporting requirements. The Company's management is responsible for establishing and maintaining adequate internal controls. These controls have been designed to provide reasonable, but not absolute, assurance concerning the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Internal controls, however well-conceived, will provide only reasonable and not absolute assurance that the objectives of the internal controls over financial reporting will be met. It should not be expected that the internal controls would prevent all errors or fraud.

Due to the small size of the Company's finance department, there are a limited number of personnel handling accounting and financial matters, and as a result, there is a lack of segregation of duties. Management believes that it has designed sufficient compensating internal controls to mitigate these limitations, including dual signatories on all cheques. Additional internal controls include audit committee and senior management review and oversight.

## **Disclosure Controls and Procedures**

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Disclosure controls and procedures are designed to provide reasonable, but not absolute, assurance that all material information is obtained, analyzed and reported to senior management on a timely basis for management to make reasonable public disclosure decisions.

The Company's certifying officers, the Chief Executive Officer and the Chief Financial Officer, have reviewed the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on their review, they have concluded that the Company's disclosure controls and procedures, as defined in National Instrument 52-109 (Certification of Disclosure in Issuers' Annual and Interim Filings of the Canadian Securities Regulators), were effective as of December 31, 2020. They provide reasonable assurance that information required to be disclosed in interim, annual and special filings are submitted under Canadian securities laws and are recorded, processed, summarized and reported in a timely fashion.

## **Novel Coronavirus (“COVID-19”)**

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The global outbreak of the COVID-19 coronavirus continues to rapidly evolve. The extent to which the COVID-19 coronavirus may impact the Company’s business and development will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing in Canada, the United States and other countries, business closures or business disruption, and the effectiveness of actions taken by governments around the globe to contain and treat the disease. It may also have an impact on capital markets and the ability of the Company to complete an equity raise.

The Company has put in place strict health protocols to safeguard the health and wellbeing of its staff and the public. Exploration work is on-going with onsite staff continuing to follow health Canada guidelines. Additionally, office staff continue to work from home. The Company does not expect COVID-19 to have an impact in the mid to long-term future. Operations continue on site with staff following strict guidelines.

## **Other Information**

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Additional information relating to the Company is available on its website at [www.macdonaldmines.com](http://www.macdonaldmines.com) and under its profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Cautionary Statement of Forward-Looking Information**

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Forward-looking information is broadly defined as disclosures regarding possible events, conditions, or financial performance based on assumptions about future economic conditions and courses of action. It includes future-oriented financial information concerning future financial performance, financial position, or cash flows presented either as a forecast or a projection.

This MD&A contains forward-looking information and forward-looking statements, including statements relating to going concern and capital raising and capital requirements, subject to several known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause the Company's or its industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Factors that could cause such differences include changes in commodity prices, changes in equity markets, changes in costs and supply of materials relevant to the exploration and mine development, changes in governments, changes to government mining regulations, and numerous other risk factors.

Readers are cautioned not to place undue reliance on forward-looking statements contained within this document, which speak only to the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties, actual events may differ materially from stated expectations. Although the Company believes its expectations are reasonable, results may vary, and the Company cannot guarantee future results, levels of activity, performance or achievements.

Although the Company believes that the assumptions and factors used in preparing the forward-looking information in this MD&A are reasonable, undue reliance should not be placed on such information, which only applies as of the date of this MD&A. The Company disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, other than as required by law.