# AMENDED AND RESTATED MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

## for the 12 months ended 30 June 2018 & 2017

The following MD&A aims to provide a narrative explanation, through the eyes of management of how Besra Gold Inc ("the Group" or "Besra") has performed over the last 12 months, its financial condition and its future prospects.

This MD&A both supplements and complements the Group's financial statements.

## Forward Looking Information

This MD&A contains "forward-looking information" within the meaning of Canadian securities legislation and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, "forward-looking statements").

All statements, other than statements of historical fact, which address activities, events or developments that the Group believes, expects or anticipates will or may occur in the future are forward-looking statements.

Forward-looking statements contained in this MD&A include, but are not limited to, statements with respect to anticipated developments in the Group's continuing and future operations, the adequacy of the Group's financial resources and financial projections; statements concerning or the assumptions related to the estimation of mineral resources, methodologies and models used to prepare resource estimates; the conversion of mineral properties to resources; the potential to expand resources; future exploration budgets, plans, targets and work programs; development plans; activities and timetables; grades; metal prices; exchange rates; results of drill programs; environmental risks; political risks and uncertainties; unanticipated reclamation expenses; statements about the Group's plans for its mineral properties; acquisitions of new properties and the entering into of options or joint ventures; and other events or conditions that may occur in the future.

Forward-looking statements are frequently, but not always, identified by words such as "expects," "anticipates," "believes," "intends," "estimated," "potential," "possible" and similar expressions, or statements that events, conditions or results "will," "may," "could" or "should" occur or be achieved.

Forward-looking statements are statements concerning the Group's current beliefs, plans and expectations about the future and are inherently uncertain, and actual achievements of the Group or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, the risks that:

(i) any of the assumptions in the resource estimates turn out to be incorrect, incomplete, or flawed in any respect;
(ii) the methodologies and models used to prepare the resource estimates either underestimate or overestimate the resources due to hidden or unknown conditions;
(iii) operations are disrupted or suspended due to acts of god, internal conflicts in-country, unforeseen government actions or other events;
(iv) the Group experiences the loss of key personnel;
(v) the Group's mine operations are adversely affected by other political or military, or terrorist activities;
(vi) the Group becomes involved in any material disputes with any of its key business partners, lenders, suppliers or customers; or
(vii) the Group is subjected to any hostile takeover or other unsolicited attempts to acquire control of the Group.

Other factors that could cause the actual results to differ materially from current expectations include market prices, exploration success, continued availability of capital and financing, inability to obtain required regulatory approvals and general market conditions, as well as those risks described under the heading "Risk Management & Disclosure" below.

These forward-looking statements are based on a number of assumptions, including assumptions regarding general market conditions, the timing and receipt of regulatory approvals, the ability of the Group and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner.

The Group's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made and the Group assumes no obligation to update such forward-looking statements in the future, except as required by law.

There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. For the reasons set forth above, investors should not place undue reliance on the Group's forward-looking statements.

## Other Disclosure

The following discussion of performance, financial condition and future prospects should be read in conjunction with the consolidated audited financial statements for the years ended June 30, 2018 and 2017 and notes thereto (the "Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The information provided herein supplements but does not form part of the financial statements.

This discussion covers the years ended June 30, 2018, and 2017 and the subsequent period up to the date of issue of this MD&A.

Additional information relating to the Group is available at www.sedar.com.

The Group has prepared this MD&A following the requirements of National Instrument 51-102 ("NI-51-102").

These statements are filed with the relevant regulatory authorities in Canada. All currency amounts are expressed in United States dollars unless otherwise noted.

Unless otherwise indicated, the technical disclosure contained within this MD&A has been reviewed and approved by Mr Kevin Wright (a qualified person for the purpose of National Instrument 43- 101 ("NI 43-101"), Standards of Disclosure for Mineral Projects). Mr Wright was a consultant to the Group and was "independent" within the meaning of National Instrument 43-101.

Mr Wright consents to the inclusion in this report of the information that he has compiled in relation to the Bau Gold Property, in the form and context in which it appears.

## Introduction

Besra Gold Inc. is a Canadian incorporated public group previously listed on the Toronto Stock Exchange, the Australian Securities Exchange and the OTCQX Bulletin Board in the United States. It acquired its interests in the Besra Gold Field after an amalgamation with Zedex Minerals Limited in December 2009.

As a result of this amalgamation Besra held a portfolio of exploration and mining assets in the Philippines, Australia, Malaysia and Vietnam. In the latter, Besra successfully developed an open-pit and two underground gold mines.

Following issues (discussed in greater detail below in the section titled "Overall Highlights') with provincial authorities in Vietnam, the Group was forced into administration in 2014.

Subsequently, and as part of a restructure aimed at preserving shareholder interests, the Group severed its connections with all its historical interests except for its Malaysian portfolio centred on the Bau Gold Field.

## Bau Gold Project

The Group is in a consortium with a Malaysian Group with Bumiputra interests that owns rights to consolidated mining tenements covering much of the historic Bau Goldfield in Sarawak, East Malaysia.

Besra's interest in Bau project stems from an Earn-In Agreement entered into with Gladioli Enterprises Sdn Bhd and Golden Celesta Sdn Bhd in 2006.

The Bau Project JV is managed by Besra through its majority owned subsidiary, North Borneo Gold Sdn Bhd, (NBG) a Malaysian incorporated Group. The other shareholders are a Malaysian Mining Group, Gladioli Enterprises Sdn Bhd ("Gladioli") and Golden Celesta Sdn Bhd.

The Bau Project is currently 87.06% owned and controlled by Besra Inc, through its subsidiary North Borneo Gold Sdn Bhd, a Malaysian incorporated Group.

The Bau Project is situated in Eastern Malaysia in the State of Sarawak, on the island of Borneo.

**Business and operating environment in an Emerging Market**

***Ownership of Property Interests and Assets***

Information regarding Besra's ownership of the Bau Project is contained in the Stage 1 Feasibility Study released in December 2013 (which is available on www.sedar.com and the Company's website) and elsewhere in this MD&A. Besra has had a presence in Sarawak, Malaysia for 12 years having established its operations there in 2006 as part of the JV Agreement with Gladioli.

With respect to Besra's exploration activities, the exploration and prospecting licences described in this MD&A, as well as other customary and routine permits obtained from time to time in the ordinary course, are required for Besra to be able to carry on business in Sarawak, Malaysia. With respect to exploitation and mine development, the mining certificates, mining licences and the environmental and social impact statements and approvals described in this MD&A, and certain other customary and routine permits obtained and held from time to time in the ordinary course, are required by Besra for the permitting process and the assessment of the suitability of the proposed mining projects.

In order to satisfy itself of its ownership of property interests in Sarawak, Malaysia, Besra has, among other things:

(i) obtained and reviewed title opinions from certain local law firms in Sarawak, Malaysia;

(ii) conducted searches through the Ministry of Urban Development and Natural Resources ('UDNR') in Sarawak, Malaysia.

Besra also relies on the oversight of qualified persons (as such term is defined in NI 43-101), who have completed a review of the Bau Gold project and through consultants who are engaged by Besra in connection with Besra's permitting, licensing and regulatory approval application process, to confirm it has all material permits, business licences and other regulatory approvals needed to carry on business in Sarawak, Malaysia.

***Malaysia's international relations (including with Canada)***

Malaysia is a mature democracy with relatively modern mining, fiscal and environmental codes. As a member of the Commonwealth and a signatory to ASEAN Comprehensive Investment Agreement and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and with a common law system, Besra does not anticipate any compliance concerns with the Malaysian fiscal or legal regime. Besra believes its operating experience in Vietnam, the Philippines and lengthy on the ground experience in Sarawak, Malaysia will serve it well as it develops the Bau project.

Canada and Malaysia share 60 years of friendly bilateral ties that stretch back to the founding of modern Malaysia. Canada was one of the first countries to establish diplomatic relations with the newly-independent Federation of Malaya in 1957. Malaysia and Canada are both former British territories and current members of The Commonwealth of Nations. Canada has been, since 1977, a formal Dialogue Partner of the Association of Southeast Asian Nations (ASEAN), of which Malaysia was a founding member. The relationship between the two countries is further fostered through cooperation in other international organisations such as the United Nations, the Asia-Pacific Economic Cooperation, and the World Trade Organization. Both countries are rich in raw materials, are maritime nations with extensive coastlines, and have similar population sizes, despite a vast difference in geographic dimensions. In Malaysia, Canada is represented by the High Commission of Canada in Kuala Lumpur, and by a Consulate headed by an Honorary Consul in Penang. Malaysia is represented in Canada by a High Commission in Ottawa, a Trade Office in Toronto and a Consulate in Vancouver.

According to the High Commission of Canada in Malaysia, Malaysia was Canada's third largest bilateral merchandise trading partner in the ASEAN region in 2016, with trade amounting to CAD$3.3 billion. Canadian merchandise exports to Malaysia were valued at more than CAD$705 million. Top Canadian exports included fertilizers, soybeans, canola oil, electrical machinery and equipment, machinery and mechanical appliances (taps, valves, gas turbines), railway cars (for Kuala Lumpur's light rail lines), and wheat. Canada's merchandise imports from Malaysia, which were valued at almost CAD$2.6 billion, consisted primarily of electronic machinery and equipment, printing machinery, technical and precision instruments, and rubber.

According to Statistics Canada, stocks of Canadian direct investment in Malaysia was valued at CAD$666 million in 2015, while Malaysian direct investment was valued at CAD$10 million for the same year. Canadian companies have invested in Malaysia's financial services, consumer goods, transportation and manufacturing sectors, among others. Canadian companies in Malaysia employ thousands of Malaysians.

***Board and Management Experience in Emerging Markets and Board and Management Visits to Sarawak, Malaysia***

Besra has been operating in Asia since 1997. Over that time, it has variously investigated, acquired and explored gold exploration properties in Vietnam, the Philippines, Malaysia, Cambodia and Laos, and developed and operated two mines in Vietnam. In Vietnam Besra suffered and overturned wrongful tax assessments, lobbied successfully against royalty increases, and experienced government expropriation of its assets.

A number of members of the Board and management have experience in emerging markets in general, and in doing business and operating in Asia and Malaysia specifically. Two (2) out of the four (4) current members have been on the Board or officers for over ten (10) years and, as such, have had significant experience in conducting business in Sarawak, Malaysia as well as in the Company's former operations elsewhere in Asia (including Vietnam and the Philippines). The Company has established a goal of having all Board members visit its operations site at least once every two years.

Besra's chair, Ms. Bennett has a financial services business operating out of Labuan, Malaysia.

Besra's Managing Director, Mr. Seton, has over 30 years' experience in the gold exploration and mining industry, during which he gained extensive working knowledge in the evaluation, development and operation of gold mining projects in emerging markets across Asia. He routinely visits Besra's Sarawak operations and site office to meet with local management.

Mr. Morda, has over 30 years' experience in the mining industry and considerable experience with emerging markets, having been CFO of Alamos Gold, Inc a gold producer based in Turkey.

The Group's project manager for the Bau project, Mr Kevin Wright, who previously worked for the Group on its former Vietnamese mines, was for nine years GM for Monument Mining Ltd's Selingsing Mine in Pahang State, Malaysia and resides in Malaysia. Other senior executives of Besra, including Besra's Chief Geologist Mr. Murfitt and Chief Metallurgist Mr de Vuyst have had many years' experience in emerging markets.

The majority of Besra's directors and executive officers are familiar with the legal and regulatory requirements of Sarawak, Malaysia through their history with Besra and certain of the directors and officers have previous experience working and conducting business in Malaysia in general as well as in other emerging market jurisdictions. Moreover, Besra's directors and officers are advised by Besra's legal counsel in the jurisdictions of the Foreign Subsidiaries, with a particular focus on Sarawak, Malaysia, of new developments in the legal regime and new requirements that come into force from time to time. As a result, management is kept aware of relevant material legal developments in such jurisdictions as they pertain to and affect Besra's business and operations. Any material developments are then discussed by Besra senior management and with the Board.

**Property Description & Location**

The Bau Goldfield projects are located on the Island of Borneo in Sarawak, Federation of Malaysia. The project area is centred on the township of Bau some 40 km WSW of the state capital of Kuching (population ~640,000); see Figure 0-1 - Property Location Plan below.

Besra's Bau Project is a brown-field project comprising Mining and Exploration tenements that cover more than 1,340km2 of the most highly-prospective ground within the historic Bau Goldfield, spread over 3 regions in Sarawak.

The main focus of Besra's activities are Blocks A and B which relate to the Bau district.

The other two regions, known as Block C and Gunong Rawan lie east of Bau nearer to the Sarawak/Kalimantan border and these are earlier stage exploration projects.


Figure 0-1 - Property Location Plan

**Local infrastructure, community and environment, including language and cultural differences**

The Kuching District, (including Bau) has a population of approx. 640,000 people.

At Bau the main population groupings are Bidayuh, from the Dyak ethnic group, and Chinese who are mainly descendants of early miners who came to the area in the mid to late 19th Century to exploit the gold and antimony deposits at Bau. Sarawak has a per capita GDP of US$1,400. Mining represents about 20% of Sarawak's GDP.

The area around Bau township is dotted with Kampung (village) style residential and 'farmlet' developments. Most of the lowland area has been subject to extensive clearing associated with agriculture and historical gold mining pursuits.

Because commerce in Bau township has suffered substantially since closure of the last operating gold mine (Tai Parit) in 1996, much of the Bau community is strongly supportive of the mining industry.

Sarawak environmental standards are deemed to be low but evolving. Besra follows international best practice.

The main industries in the Bau district are limestone quarrying, fish farming, rice farming, palm oil and rubber production, and now mineral exploration.

The Bau Project generally has good infrastructural aspects both within Bau Township and in Kuching. The main infrastructural features are:

- Existing heavy industry support services;
- Regular and reliable international air services to Kuching from Kuala Lumpur, Singapore, Hong Kong and Indonesia. The airport is only a 40 minute drive from the project area;
- Two ports with good dock and storage facilities;
- Two main sealed trunk roads from Kuching for delivery of supplies, heavy plant and equipment to the plant site;
- Excellent labour and heavy engineering support services;

- Easy Accessibility - project extremities are less than a 20 minute drive from the exploration base, and all important mines and gold prospects are linked by road;
- Area is serviced with power and water;
- The official language in Sarawak is Bahasa Malaysia, but most local communities speak English as a second language;
- Well educated workforce which is strongly supportive of the project.
- An active quarrying industry focused mainly on limestone and marble for roading aggregates and agricultural purposes;
- Ready supply of earthmoving equipment that supports the quarrying industry; and
- A local labour source with mining experience gained from the quarrying industry and past gold mining activity.

Business discussions with the Sarawak, Malaysia government are conducted in English. All senior members of the Sarawak, Malaysia speak English. Local business in Sarawak, Malaysia is conducted in English and the members of the Besra management team located in Sarawak, Malaysia who deal directly with the operating staff and outside consultants communicate in English with such individuals.

**Banking Matters in Sarawak, Malaysia**

Besra conducts its banking in the Foreign Jurisdictions through banks of international repute, which are subject to international banking standards.

Besra maintains only small amounts of cash balances within Sarawak, Malaysia. Besra manages the credit risk of the Malaysian bank by centralizing custody, control and management of its surplus cash resources in Auckland at the corporate office via bank accounts domiciled in Auckland and Australia.

Payments for salaries to the executives of Besra, director fees, legal fees, audit fees and other costs related to matters undertaken by or at the direction of the Board or the Company's Audit Committee are made from time to time as needed from the aforementioned bank accounts controlled by Besra. All material disbursements of corporate funds and operating capital to the Foreign Subsidiaries are reviewed and approved by the Board or its designees and are based upon pre-approved budget expenditures. Besra maintains all material sums outside of Sarawak, Malaysia in Australian or US dollars, other than non-material amounts held in local currencies for minor ordinary course expenditures and emergency purposes. Cash funds for payments made to local suppliers or for other operational needs in Sarawak, Malaysia are transferred to Besra's local subsidiaries based on cash requirements via periodic 'cash calls', and otherwise as required under Malaysian regulations.

Besra adheres to the laws of Canada and Malaysia. Besra has a Code of Business Conduct and Ethics as well as a Foreign Corrupt Practices Policy that specifically addresses the *Corruption of Foreign Public Officials Act (Canada)* that is required to be followed by all directors, employees, consultants and contractors of the Company. Educational and compliance training sessions and sign off involving all directors, employees, consultants and contractors is undertaken by Besra's corporate staff as required. Besra also has a whistleblower policy in place which provides employees with the opportunity to report matters directly to the Chair of Besra's Audit Committee. The Sarawak, Malaysia operations of Besra are led by senior Canadian, New Zealand, British & Australian employees who are fully versed on Besra's corporate policies, as well as the disclosure requirements of a Canadian public company.

**Sarawak Legal Framework & Investment Climate**

The State of Sarawak was formerly a British protectorate, located in the north-western part of the island of Borneo. It was first established as an independent kingdom from a series of land concessions acquired by an Englishman, James Brooke, from the Sultanate of Brunei. Sarawak received recognition as an independent state from the United States in 1850, and from the United Kingdom in 1864.

Sarawak has a Westminster style parliament and western style legal system. The currency is the Malaysian Ringgit (MYR) which is currently around MYR4 to the USD. Sarawak has a per capita GDP of USD1,400.

Mining currently represents about 20 % of Sarawak's GDP. Mining companies enjoy "Pioneer" status and tax benefits, which include:

- 85% Income tax exemption on statutory income for 5 years and only 4.2% corporate tax. Additional benefits accruing to the mining industry include:

- 80% Mining Investment Tax Allowance (ITA) Benefits. These apply to qualifying capital expenditure incurred during the first 5 years (subject to a maximum income tax exemption of 85% of statutory income for a year of assessment). Unutilized allowances can be carried forward to subsequent years.
- Exemption from import duty and sales tax on machinery/equipment.
- Low mining royalties: zero% royalty on gold and 5% ad valorem on all other minerals

**Regulation of Mining Industry & Foreign Investment in Malaysia**

The two main legal instruments that govern activities relating to minerals are the Mineral Development Act, 1994 and the State Mineral Enactment.

The Mineral Development Act, 1994 came into force in August 1998. The State Mineral Enactment for Sarawak, where the Bau Gold Project is located, is entitled the "Minerals Ordinance, 2004" and was proclaimed into effect on July 1, 2010.

The Mineral Development Act 525 of 1994 defines the powers of the Federal Government for inspection and regulation of mineral exploration and mining and other related issues.

The State Mineral Enactment provides the States with the powers and rights to issue mineral prospecting and exploration licences and mining leases and other related matters.

The Governor of the state of Sarawak, in which the Bau Project is located, has statutory rights to forfeit or cancel the mining tenements if there is a breach of, or default in the observance of any of the covenants or conditions attached to the relevant Mining Tenement.

Parties may apply for a General Prospecting Licence or an Exclusive Prospecting Licence for an initial term of two years (with one renewal period for a further two years). Mining operations require a Mining Lease, or in the case of a Mining Lease where the boundary survey of the area has not been completed, a Mining Certificate. In either case, the maximum term is 21 years. The mineral tenure regime in Sarawak is explained in more detail in the next section.

Malaysia has been a member of the World Trade Organisation ("WTO") since 1 January 1995 and has made various commitments pursuant to the General Agreement on Trade in Services ("GATS") including setting out the transactions relating to investment in Malaysia which would require approval. Since Malaysia is a member of the WTO, foreign companies under the terms of the WTO membership are expected to be treated on an equal basis as Malaysian Companies.

No restrictions are imposed on foreign companies investing in Malaysia with regard to repatriation of capital, interest, profits and dividends.

No gold royalties are payable to the Federal Government of Malaysia.

**Mineral Tenure Regime**

All mineral resources in Malaysia are state owned. Exploration and mining rights are issued subject to the recently gazetted Minerals Ordinance 2004 which has an effective commencement date of 1 July, 2010, and Mining Rules (1995).

The following tables summarise the exploration and mining tenure types that are applicable in Sarawak, and to the Bau Project.

Table 1-1: Sarawak Mining Tenure Types - General Prospecting Licence (GPL)

| Licence Type | Parameters | Parameter Description |
|---|---|---|
| General Prospecting Licence (GPL) | Max Size | 200 km$^2$ (50,000 acres)<br>Pre 1991 tenements may be larger |
| | Term | 2 years standard<br>Renewable to maximum 6 years (3 x 2yrs)<br>Convert to EPL after 1st 2 year term |
| | Rental | RM 0.50/Ha/year payable at start of term |
| | Obligations | No minimum expenditure<br>6 monthly report within 30 days<br>Final report within 3 months of term expiry date |
| | Notes | Renewal application with final report<br>50% compulsory relinquishment end of 1st 2 year term<br>Additional 10% relinquishment after 2nd 2 year term |

Table 1-2: Sarawak Mining Tenure Types - Exclusive Prospecting Licence (EPL)

| Licence Type | Parameters | Parameter Description |
|---|---|---|
| Exclusive Prospecting Licence (EPL) | Max Size | 20 km$^2$ (5,000 acres)<br>Pre 1991 tenements may be larger<br>Multiple EPL's allowed up to max. |
| | Term | 4 years standard<br>Renewable for subsequent 4 years |
| | Rental | RM 1.50/Ha/year (or part thereof) payable at start of term |
| | Obligations | Minimum expenditure of RM 75,000 over EPL term (4yrs)<br>6 monthly report within 30 days<br>Final report within 3 months of term expiry date |
| | Notes | Renewal application with final report<br>No compulsory reduction for 2nd term |

Table 1-3: Sarawak Mining Tenure Types – Mining Certificate (MC)

| Licence Type | Parameters | Parameter Description |
|---|---|---|
| Mining Certificate (MC) | Max Size | 2,000 hectares<br>Pre 1991 tenements may be larger |
| | Term | 21 year maximum<br>Renewal 1 year before expiry |
| | Rental | RM 10/Ha/year (or part thereof) paid annually<br>10% penalty for any arrears |
| | Obligations | No minimum expenditure<br>Final report within 3 months of new calendar year (March) |
| | Notes | Does not extinguish any previously existing land titles and allows mining in unalienated land with the permission of the owner and requires negotiation of compensation and royalty |

Table 1-4: Sarawak Mining Tenure Types - Mining Licence (ML)

| Licence Type | Parameters | Parameter Description |
|---|---|---|
| Mining Licence (ML) | Max Size | 2,000 hectares |
| | Term | 21 year maximum<br>Renewal 1 year before expiry |
| | Rental | RM 10/Ha/year (or part thereof) paid annually<br>10% penalty for any arrears |
| | Obligations | No minimum expenditure<br>Final report within 3 months of new calendar year (March) |
| | Notes | In the case of unalienated land, all land issues such as Native Customary Rights must be recorded by Lands & Surveys Department prior to the issuance of ML<br>If no renewal, the land reverts to 'State land' irrespective of what other titles may have pre-existed |

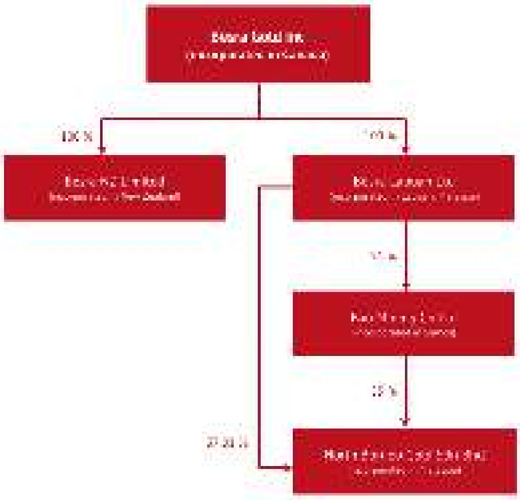
In Besra's opinion, the laws of Sarawak, Malaysia do not impose any undue or material restrictions on Besra's operations or its rights to property or assets in Sarawak, Malaysia.

Except as described elsewhere in this MD&A, Besra is not aware of any material restrictions against foreign investment mining companies in Sarawak, Malaysia, nor any material legal requirements imposed on foreign ownership of mining companies in such countries.

## Group corporate structure

As noted in the Company's corporate structure chart below, Besra has subsidiaries outside of Canada, in: New Zealand; BVI; Samoa; and Sarawak and Labuan in Malaysia ("Foreign Subsidiaries"). The Foreign Subsidiaries domiciled in BVI and Samoa are located in such jurisdictions primarily for tax planning purposes, and also as a result of Besra's amalgamation with Zedex Minerals Limited ("Zedex") in 2009. Local laws and customs of New Zealand, BVI and Samoa do not in the opinion of Besra have a significant impact on Besra's rights to property or assets, primarily because Besra does not currently have operations in such jurisdictions.

Besra consults regularly with legal advisors in New Zealand, BVI, Samoa, and Malaysia to confirm that all applicable licensing requirements for the Foreign Subsidiaries have been obtained and, from time to time, retains local legal advisors to provide updated title opinions, as appropriate.



**Control by Besra over its Foreign Subsidiaries**

In order to ensure that Besra has appropriate control and direction over its Foreign Subsidiaries, there are common directors on the Board and on the board of directors of the Foreign Subsidiaries, as well as common management between Besra and its Foreign Subsidiaries. The Board also regularly receives management updates and progress reports in connection with its Foreign Subsidiaries.

Besra is either a direct or indirect majority shareholder in each of its Foreign Subsidiaries. As a result, the operations and business objectives of Besra and the Foreign Subsidiaries are effectively aligned and controlled. As the direct or indirect majority shareholder of its Foreign Subsidiaries, Besra can also remove and replace any of the directors and officers of its Foreign Subsidiaries at any time, or from time to time, by director or shareholder resolution, as appropriate.

Besra also maintains and uses a corporate approval matrix which is regularly reviewed and approved by the Board, to ensure that a process and mechanism of approvals is maintained and followed for the disbursement of corporate funds and operating capital and to ensure that investment decisions are reviewed and approved by the Board or its designees.

All of the minute books, corporate seal and corporate records of the Foreign Subsidiaries are, to the extent required under local regulations, kept at the offices of Besra's local counsel, or with a local corporate advisory services firm. Copies of such materials are also kept and maintained at Besra's head office in Auckland, New Zealand.

Based on the foregoing and the disclosure elsewhere in this MD&A, Besra is of the view that any risks associated with its corporate structure are minimal and that such risks are effectively managed based on the controls described above and elsewhere in this MD&A.

## Overall Highlights

The Group Financial Statements are prepared on a consolidated basis. All amounts quoted are USD unless otherwise stated.

The 30 June 2018 financial statements for Besra Gold Inc. are the consolidated operations of Besra Gold Inc. after completion of the corporate restructuring and the Exit Financing, dealt with in more detail below.

The Group is currently seeking to address its continuous disclosure delinquencies and obtain relief from an existing Cease Trading Order ('CTO') issued by Canadian Regulators, following which it will seek to raise additional capital to pursue an exploration development plan for the Bau Gold Project.

During 2018, the Group had limited funds available for exploration work. The Group's ability to obtain additional funds include, but are not limited to:

- its ability to secure a listing on a public exchange;
- favourable conditions in the gold market;
- the ability of the Group to advance the Bau Gold Project to the next stage which may include the development of a feasibility study.

**Performance Highlights**

For the year ended 30 June 2018 the Group recorded a net profit of $3,009,214 (2017: $2,334,918), resulting in a 0.2c earnings per share (2017: 0.2c).

Apart from corporate and administrative expenses in 2018 of 1,216,696 (2017: $1,991,866), the other significant charge to Consolidated Statement of Income for the year was finance charges which comprised largely of interest expense of $1,784,198 (2017: $1,067,307). Finance charges are covered in more detail below.

In 2017 a corporate restructure resulted in a one-off gain of $9,156,757, non-cash, for the Group caused by the extinguishment of debts at a discount and by the issuance of warrants to the debt holders. Also dealt with in greater detail below.

**Summary of assets held and divested**

On 23rd May, 2017, the Group held a Special Meeting of Shareholders to consider the matter of the sale of the Group's interests in the Phuoc Son Gold Project and the Bong Mieu Gold Project in Vietnam in that financial year. The resolution to approve the sale of the Vietnamese assets was passed enabling the Group to proceed with concluding the divestment agreement.

The Group completed its divestment of all the Vietnamese projects at 30 June 2017. Prior to this event happening the Group had reduced the carrying value of the Vietnamese project loans to nil.

For the reasons dealt with below in relation to dealing with the CTO's imposed on the Group by the securities regulators in the Canada, a limited amount of exploration work was conducted by the Group on its remaining significant exploration asset at Bau, in Malaysia

Total exploration and evaluation asset for 30 June 2018 was $50,771,582, while loans amounted to $48,590,940.

As at 30 June 2018 the Group had cash of $73,003 (2017: $752,432) and negative working capital of $10,127,212 (2017: $12,689,516).

Filings and lodgements with the Ontario Securities Commission are required to be made to allow the Group to work to secure capital funding.

## Corporate Strategy & Business Overview

Following the divestment of the Vietnamese assets, the Group is now solely focussed on the exploration and development of its single asset in Bau.

### Background and Significant Events

During FY 2017 the Group faced a number of significant events which:

i. addressed historical issues and culminated in completion of the restructure of unsecured debt,

ii. secured new capital investment by way of a new majority shareholder; and

iii. resulted in the disposal of the Group's assets in Vietnam.

These are dealt with in further detail below.

During the financial periods from 1 July 2014 to the year ended 30 June 2017, the Group's business consisted of mining projects in Vietnam (Bong Mieu and Phuoc Son).

In addition, the Group had a feasibility stage project in East Malaysia (the Bau Gold Project) and other early stage exploration properties including the Capcapo Project in the Philippines.

Over the period to the year ended 30 June 2016, the Vietnamese assets failed to deliver on operational and financial parameters, largely due to the ramifications of a wrongful export tax claim by the Vietnamese General Department of Customs which in time was proven to be without merit and rescinded.

The coercive consequences of the tax claim, combined with adverse changes to the tax and royalty regimes and ongoing coercive operational restrictions by Vietnamese tax authorities, resulted in serious production and subsequent cash-flow disruption.

The effort to maintain cash-flow despite these significant restrictions led to:

- The under-performance of the Vietnamese ore bodies against their respective original geological model estimates and reserve grade estimates due to enforced sub-optimal mining of higher grade areas of deposits; and
- Extended delinquency in meeting creditor and regulator payment obligations;
- On 10$^{th}$ October 2014 Besra's shares were suspended on the Australian Securities Exchange('ASX') and on 17$^{th}$ October 2014 its shares were also delisted on the Toronto Stock Exchange ('TSX');
- In December 2014, January and March 2015 CTO's were imposed by the Ontario Securities Commission ("OSC"), Alberta Securities Commission, British Columbia Securities Commission and the Autorité des Marchés financiers for failing to meet filing obligations.

### Corporate Restructure

Following this and with insufficient working capital and funding to sustain operations, the Group commenced corporate restructuring proceedings under Canadian law, with the lodgement a Notice of Intent ("NOI") to submit a proposal to Creditors ("Creditors Proposal") under the Bankruptcy and Insolvency Act ("BIA") on 19th October 2015. A summary of the which follows below.

In May 2016, the Group agreed terms to complete an investment in the Group of C$10,000,000 by way of securities converting, upon maturity (or earlier), into shares of Besra Gold Inc common stock ("Exit Financing").

A condition of the exit financing required the Group to sell, transfer or otherwise dispose of its interests in the Vietnamese Projects.

On 30 June 2017, following approval by shareholders at a meeting, the Group completed the divestment of its interests in two Vietnamese assets (Bong Mieu and Phuoc Son) which by that time were no longer operating.

In addition, the Group terminated its interests in several early-stage exploration projects including the Capcapo Project in the period from 2014 to 2016 and completed on 30 June 2017.

## Creditors Proposal (or Amended Proposal)

The purpose of the Creditors Proposal (or Amended Proposal) was to restructure the Group's unsecured debt. Additionally, the Creditors Proposal enabled the Group to access further financing and continue exploration and development of its key project, Bau. The Amended Proposal required:

- the completion of financing for a minimum of C$10 million (Exit Financing);
- approval by the creditors (being a majority in number and two/thirds in value of persons present or voting by proxy;
- approval by the Court.

The Amended Proposal was also conditional on the variation of the CTO, such variation being required to enable the Group to complete the Exit Financing.

Unsecured creditors comprise unsecured noteholders and other general unsecured creditors.

The terms of the Amended Proposal are summarized below.

***A. Secured Creditors***

The proposal did not affect the Group's secured creditors and the Group negotiated with and agreed to repay secured creditors, from the proceeds received from the Exit Financing.

***B. Unsecured Creditors***

All the Group's unsecured creditors formed part of a single class of unsecured creditors for voting and distribution purposes.

Unsecured creditors had the option of accepting one (1) of the following three (3) options in full and final payment and settlement of all their proven claims, provided that each such unsecured creditor with a proven claim equal to at least C$100,000 could elect to allocate their respective proven claim on a 50/50 basis between Option 1 and Option 2. Regardless of such allocation, each unsecured creditor was entitled to one (1) vote for or against the Proposal, in the amount of such creditor's aggregate claim.

<u>Option 1 – New Note</u>

Unsecured creditors who elected this option received:

(a) cash payments equal to 3.25% of the value of their respective proven claims; and

(b) new unsecured notes (collectively, the "New Notes" and, individually, a "New Note"), on the material terms set out below.

The following definitions apply to this Option 1:

- "New Note Value" means the amount of the subject creditor's proven claim, less the subject creditor's cash distribution under this Option 1; and
- "Adjusted New Note Value" means, in respect of a particular New Note, the New Note Value thereof less the value of any portion thereof converted to common shares and warrants of the Group.

The material terms of the New Notes are as follows:

(i) each New Note shall be issued at the New Note Value;

(ii) each New Note shall have a term of four (4) years to November 2020;

(iii) each New Note shall bear interest at a rate of three percent (3%) per annum, calculated and payable on maturity;

(iv) each New Note shall be redeemable, at the Group's option, as follows:

a) within 12 months of issuance, at 40% of the Adjusted New Note Value including accrued interest;

b) between months 13 to 24 (inclusive), at 50% of the Adjusted New Note Value, including accrued interest;

c) between months 25 to 36 (inclusive), at 60% of the Adjusted New Note Value, including accrued interest;

d) between months 37 to 42 (inclusive), at 80% of the Adjusted New Note Value, including accrued interest; and

e) between months 43 to 48 (inclusive), at 100% of the Adjusted New Note Value, including accrued interest; and

to the extent it has not been wholly redeemed, each New Note shall be convertible at the New Note Value or any part thereof outstanding, at the noteholder's option on a semi-annual basis, into common shares of the Group at the conversion price of C$0.085 per share (only full shares will be issued; no fractional shares will be issued).

Option 2 – Equity

Unsecured creditors who elected this option received common shares of the Group and share purchase warrants of the Group on the material terms set out below:

- seventy percent (70%) of the amount of the subject creditor's proven claim shall be converted to common shares of the Group, to be issued concurrently with the Equity Financing, at a conversion rate per share equal to the share price under the Equity Financing, provided that the total number of common shares issued under this Option 2 shall comprise not more than 30% of the common shares of the Group following the Equity Financing, on a fully diluted basis (the "Equity Pool"); and
- thirty percent (30%) of the amount of the subject creditor's proven claim shall be converted to share purchase warrants of the Group, at a conversion price of C$0.035 per warrant, and each such warrant shall be for the purchase of one (1) common share of the Group at an exercise price of C$0.035 per share, and exercisable within two (2) years of issuance, subject to a limitation that the warrant will expire within two (2) years of any subsequent re-listing of the Group.

Limitation on the Equity Pool: The ultimate percentage of common shares in the Group comprising the Equity Pool was determined by the number of creditors electing Option 2 and the terms of the Equity Financing, subject to the limitation prescribed above. Creditor claims electing Option 2 exceeded the full Equity Pool, hence the excess amount of creditor claims which elected this Option 2 were automatically diverted to Option 1 above on pro rata basis.

Option 3 – 50/50 Split

Unsecured creditors electing this option received 50% of the value of their proven claim under the terms of Option 1 and 50% of the value of their proven claim under the terms of Option 2.

Unsecured creditors who elected to receive Option 3 were in aggregate with those Creditors electing Option 1 in excess to the full Equity Pool, so were also diverted as applicable to Option 1 above on a pro-rata basis.

Option 4 – Convenience Cash Payment

Unsecured creditors electing this option shall receive a cash payment equal to the lesser of: (i) C$3,000; and (ii) the subject creditor's proven claim, payable within three (3) months of the completion of the Equity Financing.

**Significant dates concerning the Corporate Restructure**

On 17th May 2016 Besra obtained Court Approval of the Amended Proposal.

On 17th November 2016, the Group completed the Exit Financing and the additional terms required to satisfy the requirements of the Amended Proposal.

In the months following the completion of the Exit Financing, the Group working with the Proposal Trustee completed the necessary:

- cash settlements;
- issues of shares, warrants and notes;

under the terms of the Amended Proposal.

On 12th May 2017, MNP Ltd, the Proposal Trustee issued its certificate of full performance.

**Next Phase for Besra**

Exploration and evaluation works were re-commenced at the Bau Project in late 2016, with a drilling and metallurgical test program undertaken in the second half of fiscal 2017.

Further the Group commenced the construction of a metallurgical test lab on site to further the evaluation test work planned for the future development of the Bau Project. The Group is now a feasibility stage Group with its single asset being the Bau Gold Project.

A condition of the Exit Financing required the Group to sell, transfer or otherwise dispose of its interests in the Phuoc Son Gold Project and the Bong Mieu Gold Project (collectively, the Vietnamese Projects) on or before 31st March 2017 (subsequently amended to 30th June 2017) in a manner and form and subject to terms and conditions acceptable to the Exit Financing Investor.

To comply with this condition, the independent directors undertook a strategic review of the Group's business in South East Asia aimed at maximising the value of the Group for Besra's shareholders. The directors concluded that despite:

- effective reduction of royalties in Vietnam;
- sporadic recommencement of operations at Bong Mieu;
- a restructuring of Phuoc Son's ownership providing potentially improved access to capital and greater political protection; and
- planned recommencement of operations at Phuoc Son;

external liabilities of approximately USD$25million would drag on the Group's balance sheet and as neither plant was in production and Bong Mieu's Investment Certificate expired, positive free cash flow was at least three years away.

In early April 2017, the Group entered into an agreement to sell all of its existing interests in Vietnam to a new corporate entity to be established by former in-country senior management, for assumption of existing trade creditor, tax and remediation liabilities totalling over USD$25million.

On 23rd May 2017, the Group held a Special Meeting of Shareholders to consider the matter of the sale of the Group's interests in the Phuoc Son Gold Project and the Bong Mieu Gold Project in Vietnam. The resolution to approve the sale was passed enabling the Group to proceed with concluding the divestment agreement.

On 30th June 2017, the Group completed its divestment of the Vietnamese Projects. In addition to the disposal of the Vietnamese Projects, the Group terminated its interests in several early-stage exploration projects in the period from 2014 to 2017.

Detailed commentary regarding the Group's single major asset the Bau Gold Project is set out below.

**Group Reporting**

The Group financial statements have been prepared on a consolidated basis.

Further the Group has engaged with and requested and received relief from the OSC in respect of its past filings (the Catch-Up Filings). The Group will file the following with the OSC to meet its Catch-Up Filings obligations:

(a) audited annual consolidated financial statements for the year ended 30 June 2018 and 2017;

(b) MD&A relating to the above annual financial statements;

(c) NI 52-109 Certificates relating to the above financial statements, as required by NI 52-109;

(d) the statement of executive compensation for the year ended 30 June 2018.

## Summary of Operations & Outlook

The review of the results of operations should be read in conjunction with the Group's audited consolidated statements and the related notes for the years to 30 June 2018.

Summary Statement of Financial Position comprises loans of $48.6m (2017: $47.5m) which funded the significant exploration asset, Bau, $50.8m and operations in 2018 and 2017.

| | 30 June 2018 | 30 June 2017 |
|---|---|---|
| **Total Assets** | **53,721,201** | **51,446,263** |
| Current Liabilities | 13,007,588 | 13,973,745 |
| Non-current Liabilities | 45,609,429 | 45,377,548 |
| Total Equity | (4,895,816) | (10,121,445) |
| **Total Liabilities & Equity** | **53,721,201** | **51,446,263** |

The obligations of the Group under one of the Convertible Notes is secured by a general security agreement over the Group's assets and by share pledge arrangements.

In the event that the Group is unable to have the CTO revoked, the lender may determine that an event of default has occurred. The Group is currently working to remedy its continuous disclosure deficiencies and have the CTO lifted, which is a precondition to the Group obtaining future funding.

**Loan Liabilities valuation and analysis**

Valuations were prepared on each of the Group's loan liabilities, categorized as 'convertible notes' have embedded equity features which have been valued at each balance date utilizing a valuation methodology that uses a binomial lattice model to calculate the value of the each of the Convertible Notes as a function of the Group's stock price.

The valuation analysis performed by independent experts on behalf of the Group used US dollar inputs, as the Group's common stock is traded in US dollars, and the results have been converted to Canadian dollars using spot rates as of each Valuation Date.

The approach using the binomial lattice model is a method of approximating the numerical solutions achieved by using a flexible lattice framework. The binomial lattice trees are constructed using a methodology that assigns up and downward movement factors and probabilities based on rates of return, volatility and time.

The valuations conducted on each of the Convertible Notes applied different assumptions and inputs, as above, for the financial year end dates the Group for 2018 and 2017 and other dates, such as inception date to determine movements in the fair value of the debt instrument.

Additionally, the estimated the value of the embedded features were established using a 'with' and 'without' methodology, in which the fair values of each of the Convertible Notes is first estimated including the embedded conversion features (with), and then a second time excluding the conversion features (without). The value of the conversion features is the difference between the "with" and "without" values.

Changes in Convertible Notes' fair value are reflected in profit or loss are included within Finance Charges as 'Derivatives – fair value revaluation' - below.

**Summary Statement of income**

| | 30 June 2018 | 30 June 2017 |
|---|---|---|
| Gold Sales* | - | - |
| Corporate and administrative expense | 1,216,696 | 1,991,866 |
| Exploration expense | 3,379 | 5,322 |
| Depreciation and amortization | 19,779 | 52,104 |
| Derivative fair value revaluation | (4,819,525) | 3,068,506 |
| Finance Charges** | 836,427 | 1,491,573 |
| (Gain) on corporate restructure*** | - | (9,156,757) |
| Income before Income Tax | 2,743,244 | 2,547,386 |
| Income tax (recovery) expense | (265,970) | 212,568 |
| Net Income after Tax | 3,009,214 | 2,334,918 |

* The Group is at an exploration stage and has no sales.

** Summary of finance charges:

| | 30 June 2018 | 30 June 2017 |
|---|---|---|
| Interest on borrowings and notes | 1,784,198 | 1,067,307 |
| (Gain) on modification of note | (82,795) | (105,259) |
| Capital restructure and financing costs | - | 534,551 |
| Foreign exchange (gain), net | (864,976) | (5,026) |
| | 836,427 | 1,491,573 |

***(Gain) on corporate restructure.

The Group completed a planned financial restructuring, the Creditors Proposal in the year to 30 June 2017. In completing the restructuring, an accounting profit or gain was generated by the Group on the extinguishment of debts at a discount and by the issuance of warrants to the debt holders.

| | 30 June 2018 | 30 June 2017 |
|---|---|---|
| Total debts extinguished | - | 53,249,399 |
| Consideration provided to debt holders under the Creditors Proposal: | | |
| Debt notes issued to creditors | - | (1,305,614) |
| Common shares issued to creditors | - | (36,494,297) |
| Foreign exchange loss realised | - | (6366,016) |
| Net accounting gain on re-structure | - | 73,285 |
| Total debts extinguished | - | 9,156,757 |

## Bau Gold Project – an overview

The Group's sole exploration and evaluation asset is entirely comprised of the Bau gold project, a brown-field project, spread over a large geographic area:

- mining and exploration tenements that collectively cover more than 1,340km2
- a resource of 21.29 Mt @ 1.64 Au g/t measured and indicated plus 51.33 Mt @ 1.32 Au g/t inferred, including within that a reserve of 10.67 Mt @1.7 Au g/t proven and probable. See the section Reserves and Resources for further detail.
- a completed feasibility study on Stage I production;
- considerable ounce and grade upside;
- zero royalty on gold;
- favourable taxation rates; and
- within a jurisdiction with a robust legal system and bureaucracy.

The Group is in a consortium with a Malaysian Group with Bumiputra interests that owns rights to consolidated mining tenements covering much of the historic Bau Goldfield in Sarawak, East Malaysia.

A revised acquisition agreement was renegotiated in November 2016 with regard to Bau in conjunction with the completion of the Creditors' Proposal. The feasibility study for Stage 1 of the Bau Gold Project in East Malaysia was completed in the financial year ended 30 June 2014.

The Bau Gold Project is currently on care and maintenance as the Group has insufficient funds to carry on additional work.

The Group is working diligently on a plan to recapitalize the Group; if successful, the Group will budget a program to expand the current mineral resources, target new discoveries, and advance the project to the feasibility stage, consistent on the level of funding available.

**Results of Operations**

| | 30 June 2018 | 30 June 2017 |
|---|---|---|
| Administration & Other Expenses: | | |
| Professional & Consulting Fees | 351,010 | 810,942 |
| Management & Administration | 433,197 | 547,479 |
| Labour Expense | 135,690 | 169,331 |
| Travel & Accommodation | 53,564 | 112,957 |
| Office & Facilities | 72,779 | 116,669 |
| Insurance | 54,001 | 44,159 |
| Directors Fees | 116,455 | 190,329 |
| Exploration Expense | 3,379 | 5,322 |
| Depreciation | 19,779 | 52,104 |
| Derivative Revaluation | (4,819,525) | 3,068,506 |
| Finance Charges | 836,427 | 1,491,573 |
| (Gain) on Corporate Restructure | - | (9,156,757) |
| Income from Operations | 2,743,244 | 2,547,386 |
| Exploration & Evaluation Expenditure | 698,570 | 1,102,052 |
| Explorations & Evaluation Asset Bau | 50,771,582 | 50,073,012 |
| Property, Plant & Equipment | 69,243 | 89,022 |

**Bau Project Exploration and Evaluation Expenditure Detail**

| | 30 June 2018 | 30 June 2017 |
|---|---|---|
| Assays & Assessment Supplies | 327,446 | 127,711 |
| General Equipment & Supplies | 1,291 | 4,101 |
| Drilling Expense | - | 396,790 |
| Exploration Office Expenses | 14,685 | 106,217 |
| Utilities | 13,500 | 21,155 |
| Travel & Accommodation | 9,489 | 14,175 |
| Contractors & Consultants | 121,141 | 167,481 |
| Labour Expenses | 178,318 | 237,445 |
| Transport | 32,346 | 24,439 |
| Interest | 354 | 2,538 |
| | 698,570 | 1,102,052 |

**Notice of intention to forfeit certain Mining licences**

On 8th June 2018 the Group received a letter from the UDNR advising of its intention to revoke within 30 days four Mining Licences ('ML's') in the Bau Project encroached upon by the Dered Krian National Park ("DKNP"):

| ML # | AREA (Ha) |
|---|---|
| ML/01/2012/1D | 12.735 |
| ML 1D/136/ML/2008 | 139.60 |
| ML/03/2012/1D | 49.384 |
| ML/04/2012/1D | 50.679 |
| TOTAL: | 252.398 |

The DKNP covers 1,920 Ha peripheral to Gunung Krian. The DKNP boundaries encompass most of the elevated Upper Bau limestone terrain that lies immediately south of Bau township.

The reason given for forfeiture was "contravention of sections 45(1) (c), 56 and 57(1) of the Minerals Ordinance 2004, by not commencing development work within 9 months of the date of grant of the ML's.

As of the date hereof, the Ml's have not been forfeited and the Group in currently in dialogue with UDNR about a voluntary partial surrender or excision from the Ml's of the land within the DKNP boundaries.

However, even if the actual revocation were to occur, the loss of the actual DKNP land is not considered to be of significant consequence. The bulk of the resources and reserves remain external to the DKNP. On the basis that the land within the DKNP is surrendered, or the land external to the DKNP is retained under new licences, the project's reserves (included within the resources) would remain unchanged at 10.67 Mt @ 1.7 Au g/t and the resources would reduce to measured and indicated of 19.77 Mt @1.56 Au g/t and inferred of 48.6 Mt @ 1.31 Au g/t.

**Summary of work completed on Bau 2017**

***Ore Samples & Deportment Test***

A mineralized breccia sample from Juala was selected to represent the various type of mineralization in the Bau Goldfields for the gold deportment and flotation test work. The sample was sent together with other samples from other areas to AMTEL Laboratory in Canada.

Juala Sample: Gold Deportment

| Sample ID | Sample Lithology | Weight | Au | As | Fe | Stot | SSO4= |
|---|---|---|---|---|---|---|---|
| | | (Kg) | (g/t) | (Wt %) | | | |
| Juala (297231) | Breccia | 22.0 | 6.78 | 0.48 | 0.40 | 0.22 | 0.02 |

The result shows that the flotation gold recoveries potential is approximately 70%.

*Predicted Flotation Gold recoveries and Mass Pull*

| Sample No. | Locality | Au (g/t) | Flotation | | Maximization |
|---|---|---|---|---|---|
| | | | Recoveries (%) | Mass Pull (%) | |
| 297231 | Juala | 6.78 | 71 | 2.3 | +9 |

The general conclusions from the test work in AMTEL are as follows:

Gold occurs primarily in two forms: sub-microscopic and native gold.

Sub-microscopic Au (which is refractory to direct CN leach) concentrates preferentially in arsenopyrite and to a lesser degree in pyrite.

Strong enrichment of gold in fine grained arsenopyrite, which is finely disseminated in composite and rock mineral particles.

Calcite is the main gangue mineral.

Unmanned Aerial Vehicle (UAV) / Drone Survey for Arong Bakit Area B of ML/04/2012/1D

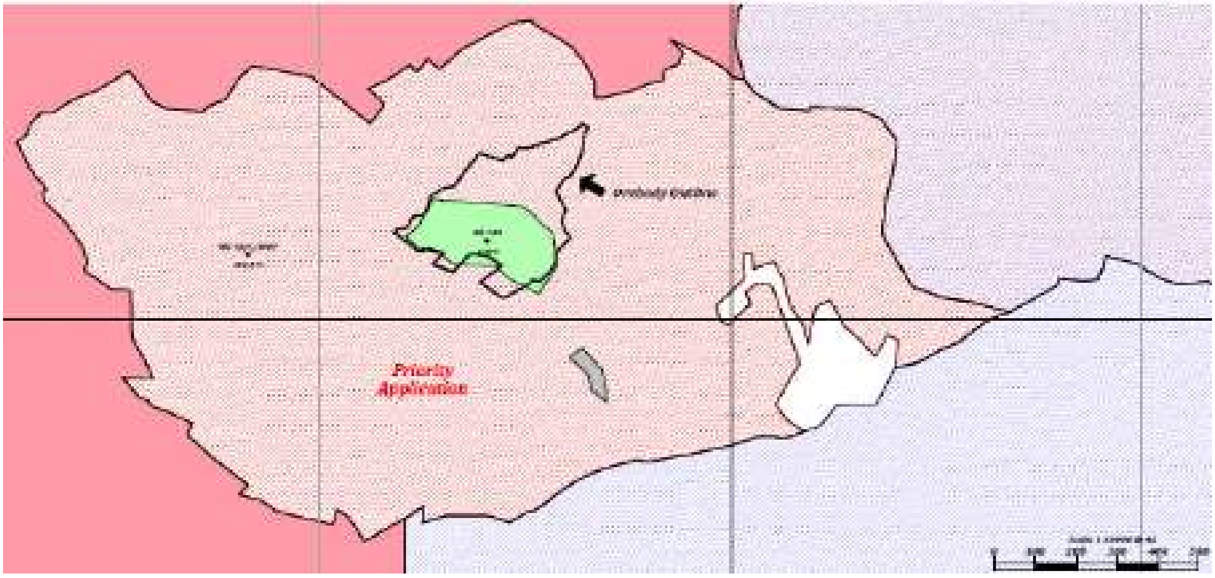
Further to the EMP approval, an Unmanned Aerial Vehicle (UAV) or drone survey has been carried out in Area B of ML/04/2012/1D and completed in February 2017 by Resources Surveys Services of Kuching with the objective of estimating the in-situ (in-place) limestone/marble reserve and acquiring topographic plans for mine planning purposes.

From the UAV volumetric survey, the in-situ limestone/marble reserve estimated from ground level (approximately 10 m above mean sea level) and above within the boundary of Area B of ML/04/2012/1D is about 42,600,000 m3 or approximately 113,000,000 metric tonnes.

***Mining leases: ML/05/2012/1D (ML 140) & ML 01/2013/1D (Jugan & Sirenggok)***

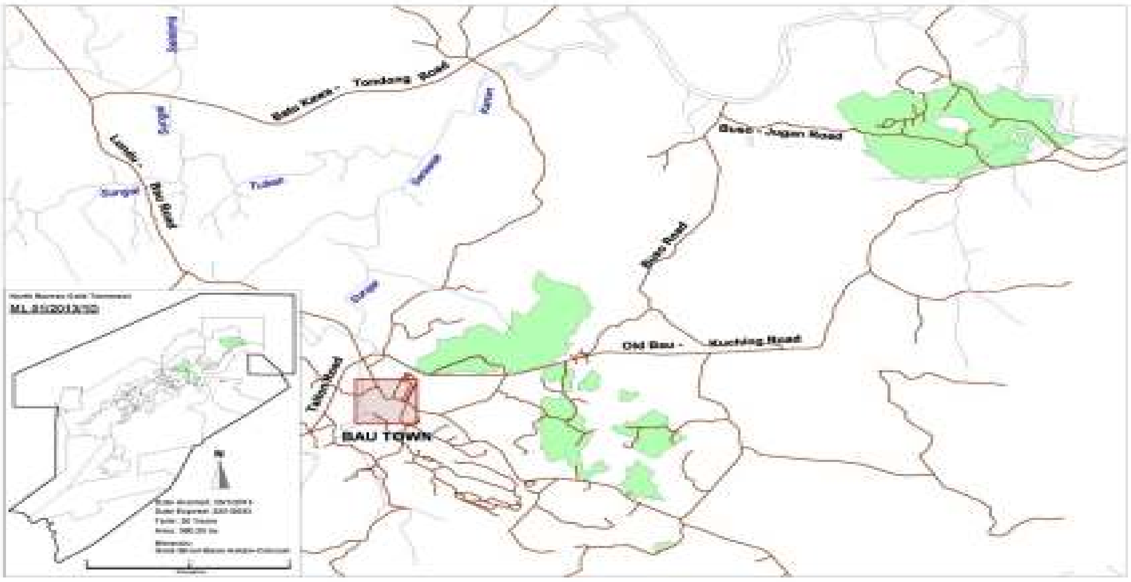
Renewed Mining Lease ML/05/2012/1D (ML 140) (formerly ML 119) is located at Jugan Hill, six km's northeast of Bau and is 5.281 hectares in area and was granted to Gladioli Enterprises Sdn. Bhd. on the 10th January 2005 for a period of twenty years. ML 05/2012/1D (ML140) covers Jugan Hill which comprises the central portion of the Jugan gold resource.

## Tenement Location




Map Showing Detailed Relationship of ML140 with ML 01/2013/1D

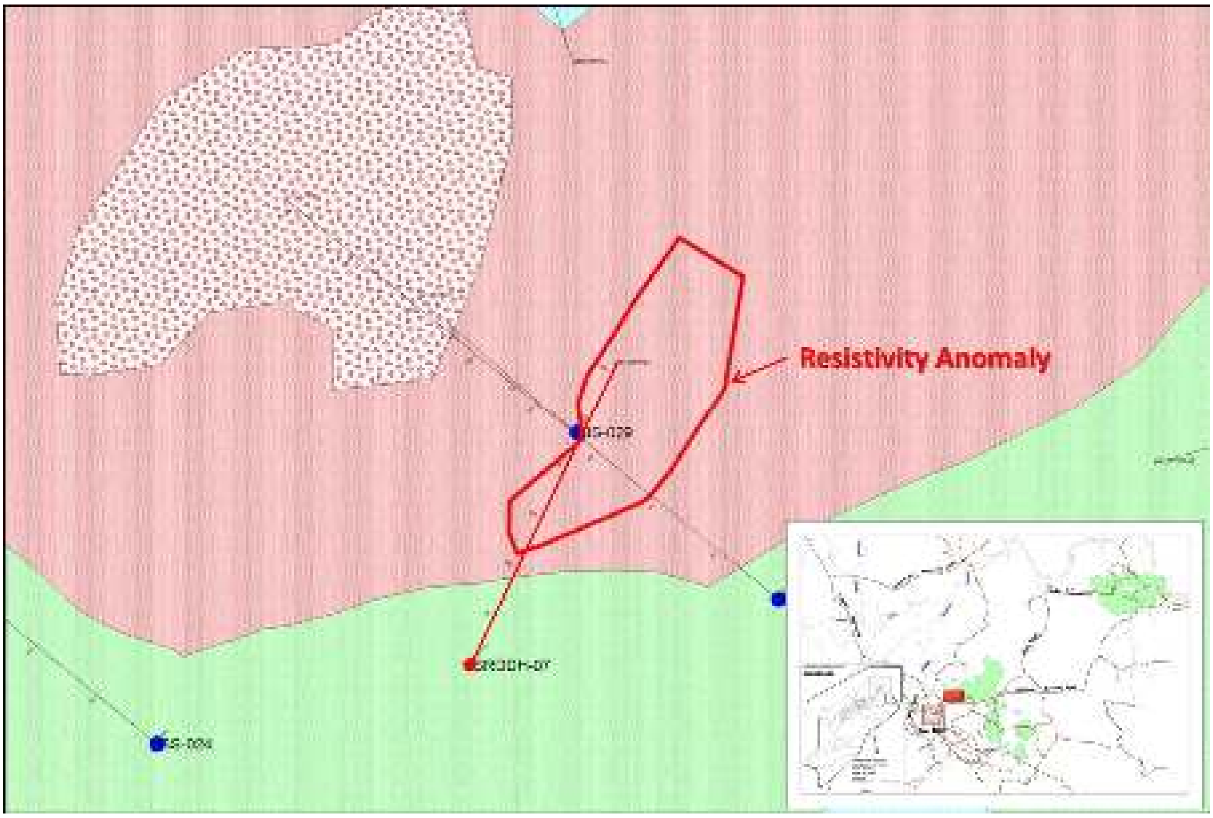
ML 01/2013/1D (formerly MC 1D/1/1987) covers 380.2 Ha, comprising several discrete parts. The northerly part covers an area surrounding ML140 (as shown above) and includes part of the Jugan gold resource. The southern parts cover areas around the SW flank of Sirenggok and to the west of Bau Township. ML 01/2013/1D was granted to Gladioli Enterprises Sdn. Bhd on 23/1/2013 for a period of 20 years.




Location Map Showing the Various Parts of ML 01/2013/1D

## Drilling Programme

The proposed 3 diamond drill holes, with a total depth of 450 m for the main Sirenggok prospect, which aimed to upgrade the existing resources and for fresh metallurgical was not proceeded with. Instead 1 (one) exploration drill hole (SRDDH-07) was drilled at the foot of Gunong Sirenggok, targeting a geophysical resistivity anomaly.




Ore Samples & Deportment Test

Samples from the various Bau gold deposits were composited from existing drill core rejects for the gold deportment and flotation test work. All samples were submitted to AMTEL Laboratory in Canada. These samples were selected to represent the various lithologies in the ore deposits. The sample from Jugan represents sedimentary (siltstone-shale) hosted mineralization while the Sirenggok sample represents intrusive hosted mineralization.

Gold deportment analysis consists of the identification and independent quantification of each form and carrier of gold from a gravity/flotation/direct CN-leach perspective, using a comprehensive mineralogical and analytical approach involving several analytical techniques: assaying, Q-XRD coupled with XRF to determine the general mineralogical composition of the samples, ore microscopy to identify and characterize gold minerals by grain size and association; SEM/EDX to determine the composition of gold grains and more specifically the Ag concentration and SIMS to quantify the sub-microscopic gold content of pyrite and arsenopyrite.

*Jugan and Sirenggok Samples: Gold Deportment*

| Sample ID | Sample Lithology | Weight | Au | As | Fe | Stot | SSO4= |
|---|---|---|---|---|---|---|---|
| | | (Kg) | (g/t) | (wt %) | | | |
| Jugan (297232) | Shale-siltstone | 54.1 | 3.32 | 1.24 | 4.10 | 2.51 | 0.04 |
| Sirenggok (297230) | Intrusive | 26.4 | 1.65 | 1.5 | 0.25 | 2.03 | 0.03 |

Based on the gold deportment results, AMTEL has estimated the gold flotation recoveries potential, the minimum mass pulls in flotation and the maximized gold recovery based on additional leaching of the flotation tailings. The results show that the highest flotation gold recoveries potentials (90% +) are with Jugan and Sirenggok.

*Predicted Flotation Gold recoveries and Mass Pull*

| Sample No. | Locality | Au (g/t) | Flotation | | Maximization |
|---|---|---|---|---|---|
| | | | Recoveries (%) | Mass Pull (%) | |
| 297232 | Jugan | 3.32 | 93 | 9.8 | +0 |
| 297231 | Sirenggok | 1.65 | 94 | 3.5 | +1 |

The general conclusions from the test work in AMTEL are as follows:

Gold occurs primarily in two forms: sub-microscopic and native gold.

Sub-microscopic Au (which is refractory to direct CN leach) concentrates preferentially in arsenopyrite and to a lesser degree in pyrite.

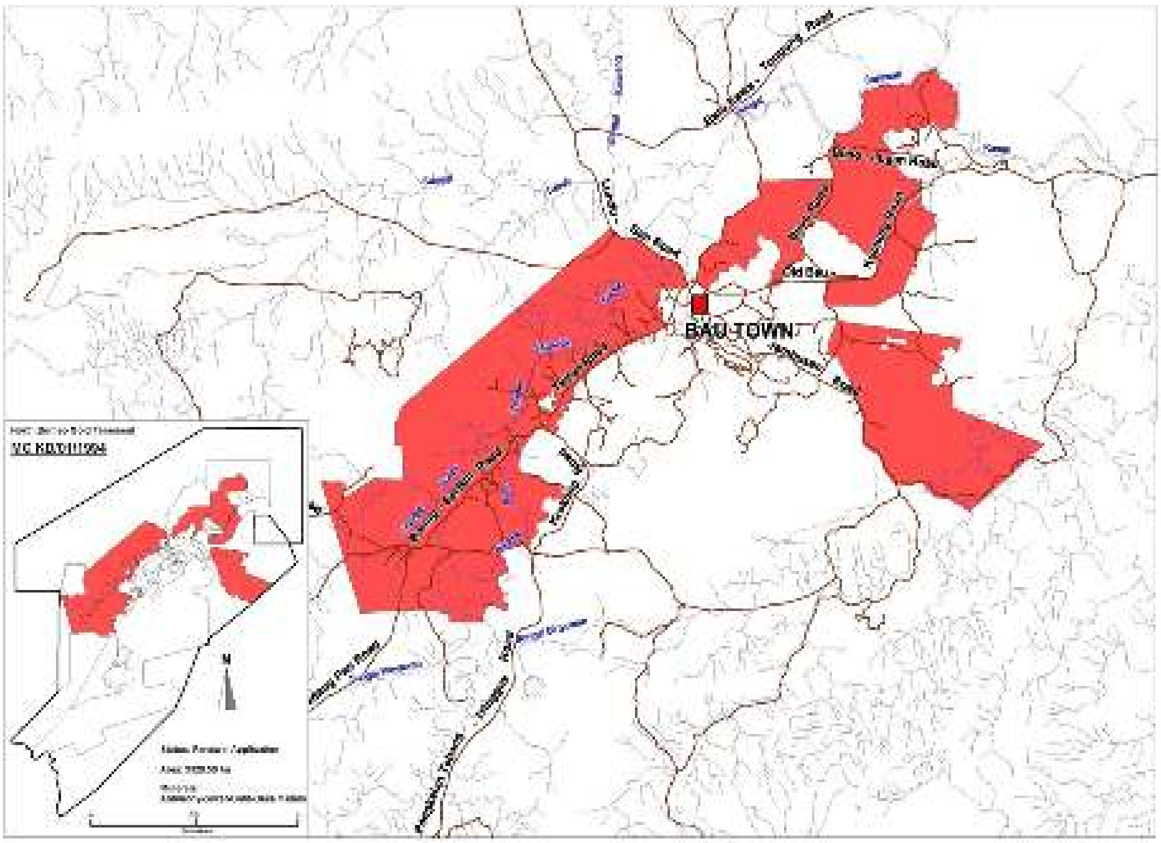
Strong enrichment of gold in fine grained arsenopyrite, which is finely disseminated in composite and rock mineral particles.

Calcite is the main gangue mineral.

***Mining certificate: MC KD/01/1994 (Sirenggok, Jambusan and Pejiru)***

Tenement Location

MC KD/01/1994 was granted to Gladioli Enterprises Sdn Bhd on the 27th October 1994 for a period of 20 years. An application for the renewal of MC KD/1/1994 has been submitted to the Authority on 17th October 2013, at least one year prior to the expiry date on 26th October 2014. The Mining Certificate (MC) consists of three separate, non-contiguous tenement areas that lie within a 10-kilometre radius around the township of Bau. The centre of the tenement is situated 2.2 kilometres north-east of Bau township and the south-western boundary lies only 300 metres from Bau.




Location Map of MC/KD/01/1994, Bau District

Drilling Programme

In 2017 a small drilling campaign for the Bekajang Sector was carried out. A total of 5 diamond drill holes, with a total depth of 710.90 m were drilled in the sector, namely in Pejiru and Pejiru Extension prospect. The drilling was conducted by a drilling contractor; Indodrill (Malaysia) Sdn. Bhd., utilizing a track mounted ID500 diamond drill rig.

The objective of the drilling campaign was to upgrade the existing resources and for fresh metallurgical samples.

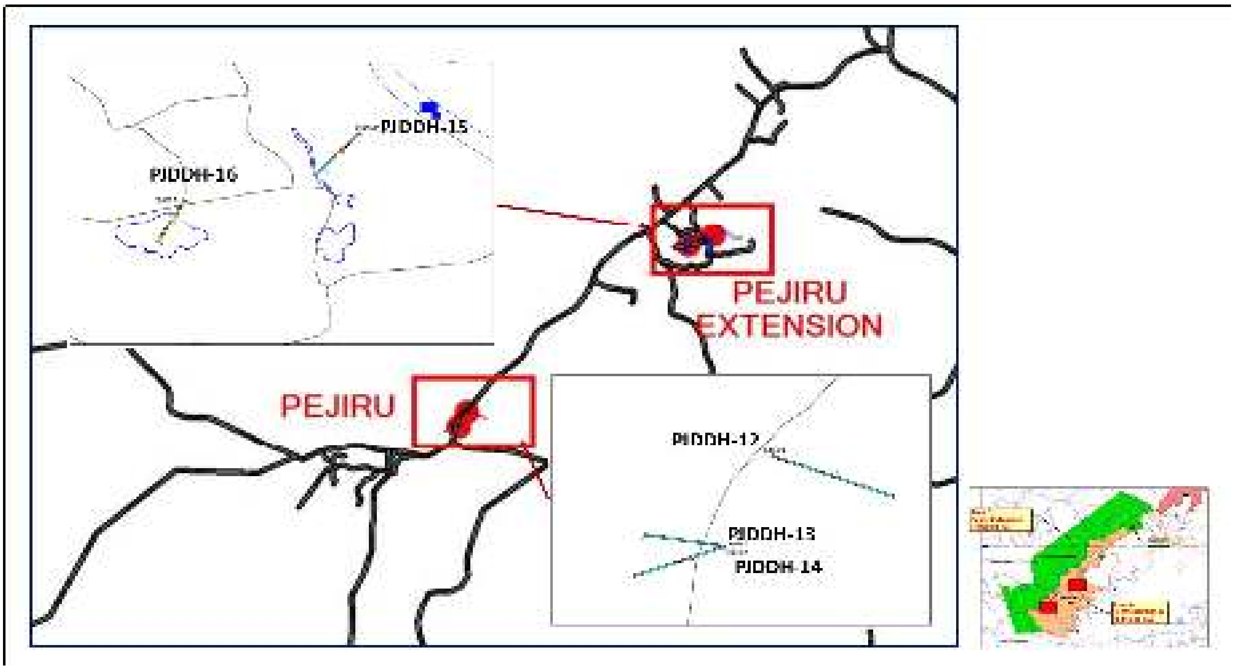
*Drilling programme - Pejiru Sector prospect*

| Sector | Sub-Project Area | No. of Drill Holes | Metres (m) |
|---|---|---|---|
| Pejiru | Pejiru | 3 | 491.50 |
| | Pejiru Extension | 2 | 219.50 |
| | **TOTAL** | **5** | **710.90** |

Some significant Au zones were intersected during the drilling programme and shown in the table below. The drilling location is shown in the following figure.

*Pejiru Sector - Drilling Significant Intersections*

| LOCATION | HOLE ID | FROM (m) | TO (m) | LENGTH (m) | AU (g/t) |
|---|---|---|---|---|---|
| Pejiru | PJDDH-12 | 11.00 | 12.60 | 1.60 | 1.41 |
| Pejiru | PJDDH-12 | 14.50 | 16.10 | 1.60 | 1.76 |
| Pejiru | PJDDH-12 | 22.60 | 25.00 | 2.40 | 8.74 |
| Pejiru | PJDDH-12 | 27.30 | 28.10 | 0.80 | 4.01 |
| Pejiru | PJDDH-13 | 70.10 | 72.40 | 2.30 | 3.55 |
| Pejiru Extension | PJDDH-15 | 24.40 | 25.70 | 1.30 | 1.47 |
| Pejiru Extension | PJDDH-15 | 38.00 | 40.40 | 2.40 | 3.18 |
| Pejiru Extension | PJDDH-16 | 0.00 | 4.10 | 4.10 | 1.62 |




Plan Showing the Location of the recent Pejiru Sector Drilling

<u>Ore Samples & Gold Deportment Test</u>

Samples from the various Bau gold deposits were composited from existing drill core rejects for the gold deportment and flotation test work. All samples were submitted to the AMTEL Laboratory in Canada. These samples were selected to represent the various lithologies in the ore deposits. Two samples representing mineralization in the veins and mineralization in breccia zone were selected from the historical Pejiru drilling/coarse rejects.

Gold deportment analysis consists of the identification and independent quantification of each form and carrier of gold from a gravity/flotation/direct CN-leach perspective, using a comprehensive mineralogical and analytical approach involving several analytical techniques: assaying, Q-XRD coupled with XRF to determine the general mineralogical composition of the samples, ore microscopy to identify and characterize gold minerals by grain size and association; SEM/EDX to determine the composition of gold grains and more specifically the Ag concentration and SIMS to quantify the sub-microscopic gold content of pyrite and arsenopyrite.

*Pejiru Samples: Gold Deportment*

| Sample ID | Sample Lithology | Weight | Au | As | Fe | Stot | SSO4= |
|---|---|---|---|---|---|---|---|
| | | (Kg) | (g/t) | (wt %) | | | |
| Pejiru (297228) | Breccia zone | 16.0 | 2.61 | 0.73 | 0.89 | 0.91 | 0.34 |
| Pejiru (297229) | Calcite (+ quartz) veins | 51.4 | 2.26 | 0.17 | 1.41 | 1.26 | 0.64 |

Based on the gold deportment results, AMTEL has estimated the gold flotation recoveries potential, the minimum mass pulls in flotation and the maximized gold recovery based on additional leaching of the flotation tailings. The results show flotation gold recoveries for the samples from Pejiru in the range of 50 to 60%. The lower recoveries for Pejiru can be attributed to presence of a large portion of sulphur as sulphate.

*Predicted Flotation Gold recoveries and Mass Pull*

| Sample No. | Locality | Au (g/t) | Flotation | | Maximization |
|---|---|---|---|---|---|
| | | | Recoveries (%) | Mass Pull (%) | |
| 297228 | Pejiru | 2.61 | 64 | 3.7 | +13 |
| 297229 | Pejiru | 2.26 | 51 | 3.4 | +24 |

The general conclusions from the test work in AMTEL are as follows, Calcite is the main gangue mineral:

Gold occurs primarily in two forms: sub-microscopic and native gold.

Sub-microscopic Au (which is refractory to direct CN leach) concentrates preferentially in arsenopyrite and to a lesser degree in pyrite.

Strong enrichment of gold in fine grained arsenopyrite, which is finely disseminated in composite and rock mineral particles.

***Other Mining Certificates***

<u>MC 1D/2/1987</u>

This Mining Certificate is still under renewal application and waiting for approval. MC Renewal Application Reference: GE/CM/MC (1D/2/1987)/08/1 dated 15th March 2008

<u>MC 1D/3/1987</u>

This Mining Certificate is still under renewal application and waiting for approval. MC Renewal Application Reference: GE/CM/MC (1D/2/1987)/08/1 dated 15th March 2008

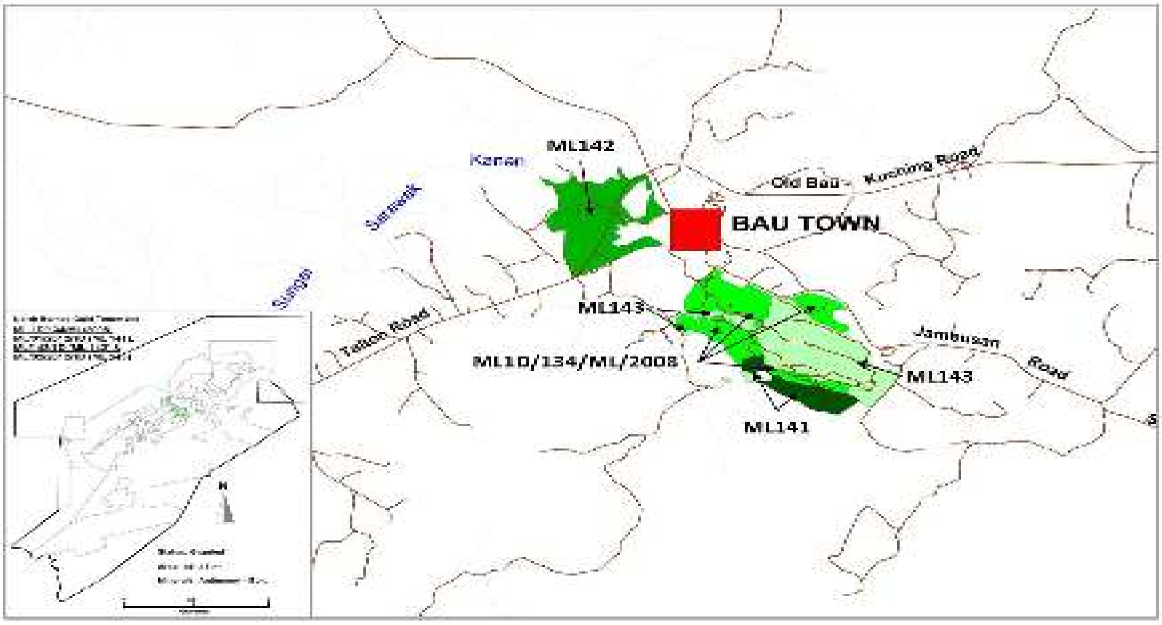
<u>MC SD/1/1987</u>

For the renewal application of MC SD/1/1987, the State Minerals Management Authority (SMMA) approved a new Mining Lease to Gladioli Enterprises Sdn Bhd on 09 October 2012 for a period of 10 years subject to terms and conditions including submission for approval of a Mine Rehabilitation Report, etc., before issuance of the new Mining Lease. An exploration programme is planned for this area.

***Mining leases: ML 1D/134/ML/2008 (ML 134), ML/01/2012/1D (ML 141), ML/142/1D (ML 142) & ML/02/2012/1D (ML 143) (Bekajang)***

Tenement Location

The four Mining Leases with a combined area of 141.4484 ha held by Bukit Lintang Enterprises Sdn Bhd adjacent to the township of Bau are shown below:




Location map of ML 1D/134/ML/2008 (ML 134), ML/01/2012/1D (ML 141), ML/142/1D (ML 142) and ML/02/2012/1D (ML 143), Bau District

Licence details are as follows:

*Bukit Lintang Enterprises Sdn Bhd MLs near Bau Township*

| LICENCE NO. | AREA | HECTARES |
|---|---|---|
| ML 1D/134/ML/2008 (ML 134) | Bukit Young, Bau | 40.5 |
| ML/01/2012/1D (ML 141) | Bekajang-Gumbang, Bau | 12.735 |
| ML/142/1D (ML 142) | Bau Lama, Bau | 38.40 |
| ML/02/2012/1D (ML 143) | Bekajang, Bau | 49.034 |

*Re-boxing Old Core Samples & Core Storage Organisation*

Re-boxing of old core samples from the previous drilling in Bekajang area resumed during the period. Samples were carefully and systematically transferred from the old wooden boxes to new aluminium trays. This is to preserve and to keep the samples from being destroyed due to the deterioration of the wooden boxes.

This group of four licences covers an extensive area of gold-prospective geology within a historic mining area near Bau Township.

Further exploration to upgrade and expand resources is planned and it is anticipated that continued exploration will result in significant resource increase from current figures.

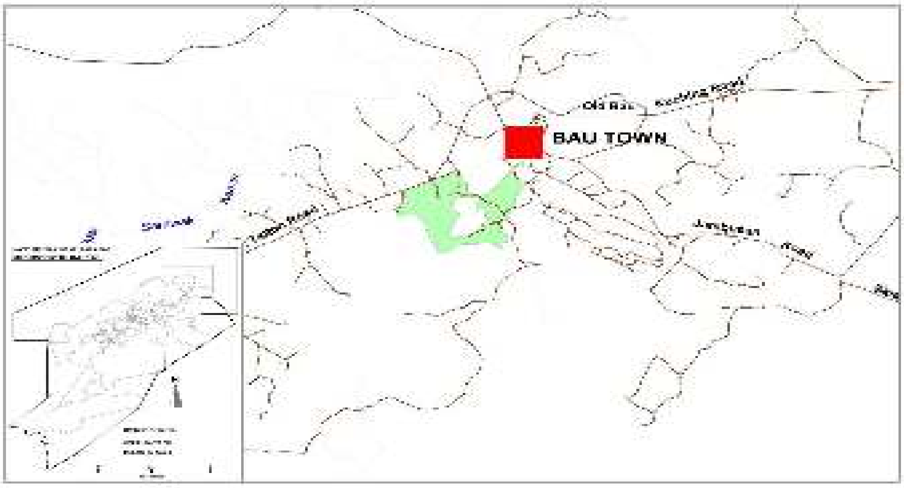
The resource shows excellent potential for eventual mining development. Preliminary mining studies will continue in parallel with future exploration, with definitive feasibility studies to follow.

Mining leases: ML 1D/134/ML/2008, ML/01/2012/1D (ML 141), ML/142/1D (ML 142) & ML/02/2012/1D (ML 143) (Bekajang) show excellent potential to becoming another mine development within the Bau Gold Project, after the antecedent mining development at Jugan Hill.

***Mining lease: ML/03/2012/1D (ML 135) (BYG - Tai Parit)***

Tenement Location

Renewed Mining Lease ML/03/2012/1D (ML 135) comprising 49.4 hectares in area, is situated one kilometre southwest of Bau. The tenement was granted to Carino Sdn. Bhd. on the 5th March 2004 for a period of twenty years. The tenement surrounds a Freehold Lot that is not covered by any mining or exploration tenement and is excluded from the Mining Lease.




Location map of ML/03/2012/1D (ML 135), Bau District

The tenement lies immediately south and south-west of the old Tai Parit mine pit (now occupied by Tasik Biru), and extends east to cover over half of the previously mined Bukit Young pit.

Drilling Programme

In 2017 a small drilling campaign for the Bekajang Sector was carried out. A total of ten (10) diamond drill holes, with a total depth of 1,524.90 m was drilled in the Bukit Young area and two holes were drilled in the Krian prospect for a total depth of 160.20m. The drilling was conducted by a drilling contractor; Indodrill (Malaysia) Sdn. Bhd., utilizing a track mounted ID500 diamond drill rig.

The objective of the drilling campaign was to upgrade the existing resources and for fresh metallurgical samples.

A total of 3 drill holes were completed with the Group's man-portable 'Winkie' drill rig in the Bukit Young area, accumulating 219.10m depth.

*Drilling programme - Bekajang Sector prospect.*

| Sector | Sub-Project Area | No. of Drill Holes | Metres (m) |
|---|---|---|---|
| Bekajang | Bukit Young (BYG) | 10 | 1,524.90 |
| | Krian | 2 | 160.20 |
| | Bukit Young (BYG) – Winkie rig | 3 | 219.10 |
| | **TOTAL** | **15** | **1,904.20** |

Some significant Au zones were intersected during the drilling programme and shown in the table below. The drilling location is shown in the following figure.

*Bekajang Sector - Drilling Significant Intersections*

| LOCATION | HOLE ID | FROM (m) | TO (m) | LENGTH (m) | AU (g/t) | INCLUDING |
|---|---|---|---|---|---|---|
| BYG | BYDDH-43 | 6.60 | 6.95 | 0.35 | 1.80 | |
| BYG | BYDDH-43 | 8.00 | 8.80 | 0.80 | 1.83 | |
| BYG | BYDDH-43 | 14.55 | 15.75 | 1.20 | 1.34 | |
| BYG | BYDDH-43 | 19.80 | 20.10 | 0.30 | 2.63 | |
| BYG | BYDDH-43 | 25.00 | 28.60 | 3.60 | 1.00 | 0.4m @ 2.33 g/t |
| BYG | BYDDH-43 | 33.80 | 43.00 | 9.20 | 5.95 | 1m @ 17.80 g/t, 1m @ 17.20 g/t & 0.4m @ 14.50 g/t |
| BYG | BYDDH-43 | 45.55 | 49.00 | 3.45 | 1.50 | 1m @ 2.89 g/t |

| LOCATION | HOLE ID | FROM (m) | TO (m) | LENGTH (m) | AU (g/t) | INCLUDING |
|---|---|---|---|---|---|---|
| BYG | BYDDH-45 | 10.00 | 20.30 | 10.30 | 1.22 | |
| BYG | BYDDH-45 | 42.80 | 49.00 | 6.20 | 5.48 | Including 1m @ 11.70 g/t & 0.5m @ 17.20 g/t |
| BYG | BYDDH-46 | 13.60 | 15.80 | 2.20 | 5.21 | |
| BYG | BYDDH-46 | 17.60 | 18.50 | 0.90 | 13.60 | |
| BYG | BYDDH-46 | 90.00 | 91.00 | 1.00 | 3.19 | |
| BYG | BYDDH-46 | 110.90 | 112.80 | 1.90 | 1.57 | |
| BYG | BYDDH-46 | 147.00 | 149.00 | 2.00 | 2.85 | |
| BYG | BYDDH-47 | 63.70 | 64.50 | 0.80 | 3.90 | |
| BYG | BYDDH-47 | 68.20 | 72.00 | 3.80 | 2.06 | including 0.6m @ 8.24 g/t |
| BYG | BYDDH-47 | 128.50 | 135.70 | 7.20 | 3.05 | including 1m @ 5.68 g/t |
| BYG | BYDDH-47 | 150.60 | 151.90 | 1.30 | 1.92 | |
| BYG | BYDDH-48 | 4.00 | 6.90 | 2.90 | 1.67 | |
| BYG | BYDDH-49 | 2.40 | 14.60 | 12.20 | 1.99 | |
| BYG | BYDDH-49 | 50.40 | 52.20 | 1.80 | 0.95 | |
| BYG | BYDDH-49 | 60.00 | 64.00 | 4.00 | 5.85 | 1.5m @ 13.1 g/t Au |
| BYG | BYDDH-50 | 54.00 | 54.50 | 0.50 | 0.65 | |
| BYG | BYDDH-50 | 59.00 | 60.00 | 1.00 | 1.02 | |
| BYG (Winkie) | BYWDH-02 | 0.00 | 2.00 | 2.00 | 0.65 | |
| BYG (Winkie) | BYWDH-02 | 41.60 | 43.90 | 2.30 | 6.11 | |
| BYG (Winkie) | BYWDH-03 | 0.00 | 8.60 | 8.60 | 1.85 | |
| Krian | KRDDH-02 | 23.50 | 24.90 | 1.40 | 0.76 | |
| Krian | KRDDH-02 | 31.30 | 31.70 | 0.40 | 1.59 | |

*Ore Samples & Gold Deportment Test*

Samples from the various Bau gold deposits were composited from existing drill core rejects for the gold deportment and flotation test work. All samples were submitted to the AMTEL Laboratory in Canada. These samples were selected to represent the various lithologies in the ore deposits. Three samples representing mineralization in the jasperoid, mineralization in breccia zone and representing the sediment hosted (Krian sandstone) mineralization were selected from the historical Bukit Young (BYG) drill coarse rejects.

Gold deportment analysis consists of the identification and independent quantification of each form and carrier of gold from a gravity/flotation/direct CN-leach perspective, using a comprehensive mineralogical and analytical approach involving several analytical techniques: assaying, Q-XRD coupled with XRF to determine the general mineralogical composition of the samples, ore microscopy to identify and characterize gold minerals by grain size and association; SEM/EDX to determine the composition of gold grains and more specifically the Ag concentration and SIMS to quantify the sub-microscopic gold content of pyrite and arsenopyrite.

AMTEL has estimated the gold flotation recoveries potential, the minimum mass pulls in flotation and the maximized gold recovery based on additional leaching of the flotation tailings. The results show flotation gold recoveries for the samples from BYG in the range of 40 to 65%. Further flotation and grinding tests will be carried out in the future and to determine the best parameters to improve the recoveries.

*Predicted Flotation Gold recoveries and Mass Pull*

| Sample No. | Locality | Au (g/t) | Flotation | | Maximization |
|---|---|---|---|---|---|
| | | | Recoveries (%) | Mass Pull (%) | |

| | | | | | |
|---|---|---|---|---|---|
| 297207 | BYG (Jasperoid) | 10.85 | 41 | 2.8 | +8 |
| 297208 | BYG (Breccia) | 5.05 | 48 | 1.1 | +8 |
| 297209 | BYG (Sandstone) | 1.89 | 65 | 5.1 | +11 |

The general conclusions from the test work in AMTEL are as follows:

Gold occurs primarily in two forms: sub-microscopic and native gold.

Sub-microscopic Au (which is refractory to direct CN leach) concentrates preferentially in arsenopyrite and to a lesser degree in pyrite.

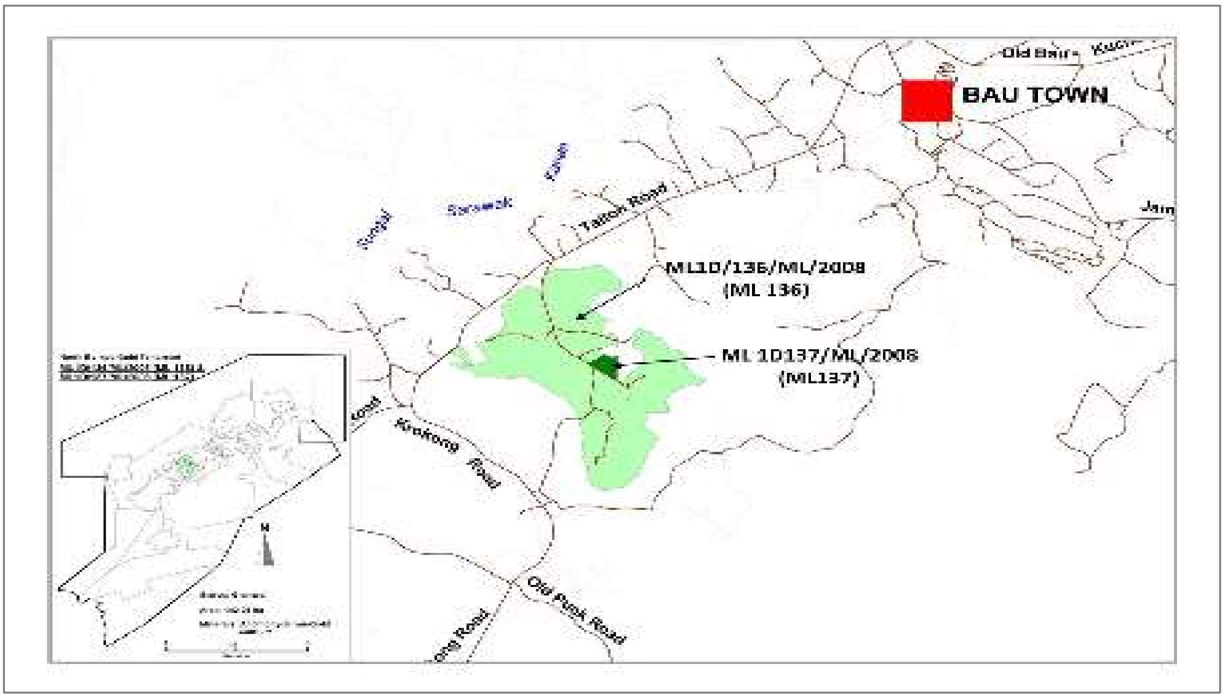
Strong enrichment of gold in fine grained arsenopyrite, which is finely disseminated in composite and rock mineral particles.

Calcite is the main gangue mineral.

***Mining leases: ML 1D/136/ML/2008 (ML 136) & ML 1D/137/ML/2008 (ML 137) (Taiton)***

Tenement Location

Renewed Mining Leases ML 1D/136/ML/2008 (ML 136) (formerly ML 108) and ML 1D/137/ML/2008 (ML 137) (formerly ML 123) owned by Priority Trading Sdn Bhd are located in the Tai Ton area 2.5 km southwest of Bau.




Location Map of ML 1D/136/ML/2008 (ML 136) and ML 1D137/ML/2008 (ML 137), Taiton , Bau District

Mining lease ML136 is 139.6 hectares in area and was granted to Priority Trading Sdn. Bhd on the 19th July 2003. Mining lease ML 1D137/ML/2008 is 2.60 ha in area was granted to Priority Trading Sdn. Bhd on the 23th June 2004. Both leases were granted for a period of twenty years. The two leases have common boundaries and are reported together here because they are contiguous and ML 1D137/ML/2008 is comparatively small.

Exploration Drilling

In 2017 a small drilling campaign in the Taiton B prospect was carried out. A total of three (3) diamond drill holes, with a total depth of 426.50 m was drilled in area. The drilling was conducted by a drilling contractor; Indodrill (Malaysia) Sdn. Bhd., utilizing a track mounted ID500 diamond drill rig.

The objective of the drilling campaign was to test the extension of the gold mineralization at depth, under the existing underground tunnel.

*Drilling programme - Taiton Sector.*

| Sector | Sub-Project Area | No. of Drill Holes | Metres (m) |
|---|---|---|---|
| Taiton | Taiton B | 3 | 426.50 |
| | TOTAL | 3 | 426.50 |

Some significant Au zones were intersected during the drilling programme and shown in the table below. The drilling location is shown in the following figure.

*Taiton B - Drilling Significant Intersections*

| LOCATION | HOLE ID | FROM (m) | TO (m) | LENGTH (m) | AU (g/t) | INCLUDING |
|---|---|---|---|---|---|---|
| Taiton B | TTDDH-79 | 69.00 | 69.90 | 0.90 | 4.28 | |
| Taiton B | TTDDH-79 | 70.60 | 74.60 | 4.00 | 1.66 | |
| Taiton B | TTDDH-79 | 75.90 | 79.40 | 3.50 | 1.95 | 1.4m @ 3.13 g/t Au |
| Taiton B | TTDDH-79 | 80.70 | 81.40 | 0.70 | 4.52 | |
| Taiton B | TTDDH-79 | 82.30 | 84.10 | 1.80 | 3.01 | 1.0m @ 4.55 g/t Au |
| Taiton B | TTDDH-80 | 50.80 | 51.60 | 0.80 | 1.01 | |
| Taiton B | TTDDH-80 | 59.30 | 60.00 | 0.70 | 1.75 | |
| Taiton B | TTDDH-80 | 63.20 | 63.50 | 0.30 | 1.64 | |
| Taiton B | TTDDH-80 | 143.50 | 143.90 | 0.40 | 1.45 | |
| Taiton B | TTDDH-81 | 1.90 | 7.30 | 5.40 | 1.14 | |
| Taiton B | TTDDH-81 | 126.10 | 128.10 | 2.00 | 1.86 | |
| Taiton B | TTDDH-81 | 130.10 | 131.50 | 1.40 | 0.78 | |
| Taiton B | TTDDH-81 | 137.90 | 142.80 | 4.90 | 0.63 | |
| Taiton B | TTDDH-81 | 145.80 | 148.80 | 3.00 | 0.84 | |

<u>Ore Samples & Gold Deportment Test</u>

Samples from the various Bau gold deposits were composited from existing drill core rejects for the gold deportment and flotation test work. All samples were submitted to the AMTEL Laboratory in Canada. These samples were selected to represent the various lithologies in the ore deposits. Two samples representing mineralization in the breccia zone and veins were selected from the historical Taiton drill coarse rejects.

Gold deportment analysis consists of the identification and independent quantification of each form and carrier of gold from a gravity/flotation/direct CN-leach perspective, using a comprehensive mineralogical and analytical approach involving several analytical techniques: assaying, Q-XRD coupled with XRF to determine the general mineralogical composition of the samples, ore microscopy to identify and characterize gold minerals by grain size and association; SEM/EDX to determine the composition of gold grains and more specifically the Ag concentration and SIMS to quantify the sub-microscopic gold content of pyrite and arsenopyrite.

*Taiton Samples: Gold Deportment*

| Sample ID | Sample Lithology | Weight | Au | As | Fe | Stot | SSO4= |
|---|---|---|---|---|---|---|---|
| | | (Kg) | (g/t) | (wt %) | | | |
| Taiton (297226) | Breccia | 22.0 | 1.47 | 0.06 | 0.28 | 0.11 | 0.01 |
| Taiton (297227) | Veins | 12.8 | 2.96 | 0.15 | 0.25 | 0.02 | 0.01 |

Based on the gold deportment results, AMTEL has estimated the gold flotation recoveries potential, the minimum mass pulls in flotation and the maximized gold recovery based on additional leaching of the flotation tailings. Despite the low sulphide content of Taiton, AMTEL estimates that 55 to 62 % of the gold can be recovered into a flotation concentrate. Further flotation and grinding tests will be carried out in the future and to determine the best parameters to improve the recoveries.

*Predicted Flotation Gold recoveries and Mass Pull*

| Sample No. | Locality | Au (g/t) | Flotation | | Maximization |
|---|---|---|---|---|---|
| | | | Recoveries (%) | Mass Pull (%) | |
| 297226 | Taiton (Breccia) | 1.47 | 62 | 0.4 | +22 |
| 297227 | Taiton (Veins) | 2.96 | 55 | 0.3 | +39 |

The general conclusions from the test work in AMTEL are as follows:

Gold occurs primarily in two forms: sub-microscopic and native gold.

Sub-microscopic Au (which is refractory to direct CN leach) concentrates preferentially in arsenopyrite and to a lesser degree in pyrite.

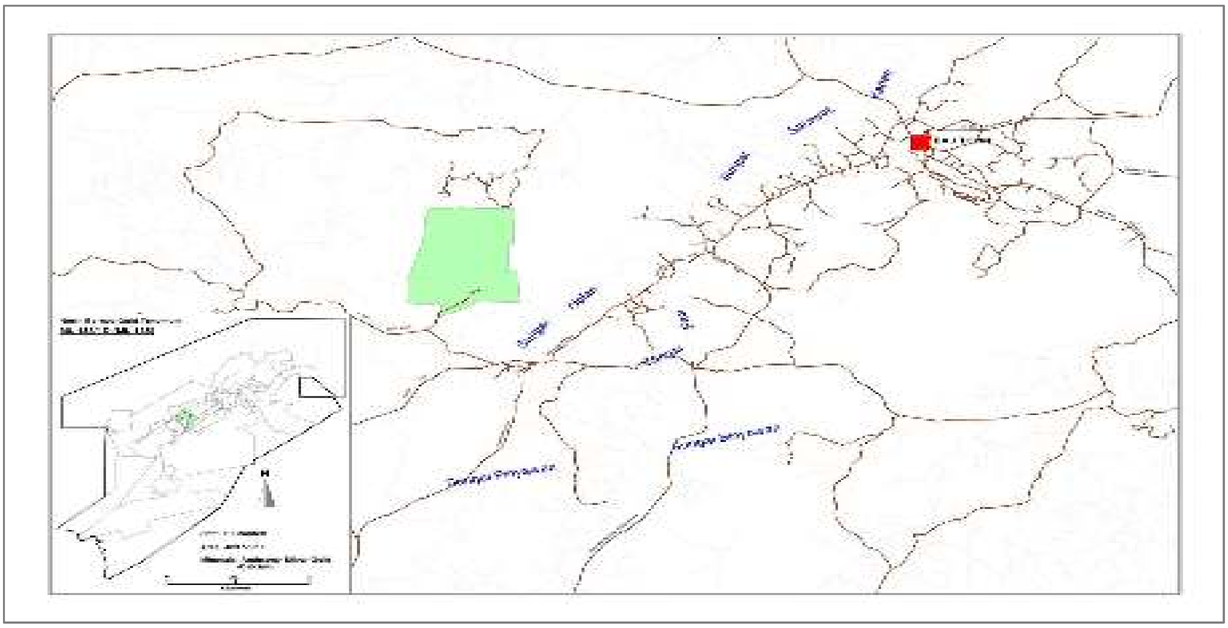
Strong enrichment of gold in fine grained arsenopyrite, which is finely disseminated in composite and rock mineral particles.

Calcite is the main gangue mineral.

***Mining lease: ML 138/1D (ML 138)***

Tenement Location

Mining Lease ML 138/1D (ML 138) (Previously ML 125) is located 8 kilometres west southwest of Bau. The tenement is 409.5 hectares in area and was granted to Buroi Mining Sdn. Bhd. on the 20th November 2005 for a period of 20 years.



Location Map of ML 138/1D (ML 138), Bau District

The topography within the tenement generally consists of low altitude terrain, the south-eastern part of which is an extensive depressed area occupied by a wetland utilised for wet-rice cultivation. Sparsely scattered limestone pinnacles up to 50 metres in diameter and 10 metres high crop out within the southern half. The topographically depressed southern area of ML 138/1D (ML 138) is surrounded by low hills composed of shale and minor sandstone.

Work Conducted During 2017

There was no fieldwork conducted in the area during the period. The capturing and compiling all exploration data (mapping) resumed including cross checking of the digital data with the original information.

**Reserves and Resources**

The Company's estimated reserves and resources are summarized in the table below. The mineral resources that are not mineral reserves do not have demonstrated economic viability.

***Resources:***

| | Tonnes | Grade (g/t) |
|---|---|---|
| Measured | 3,405,600 | 1.52 |
| Indicated | 17,879,700 | 1.67 |
| Measured & Indicated | 21,285,300 | 1.64 |
| Inferred | 51,329,000 | 1.32 |

***Reserves:***

| | Tonnes | Grade (g/t) |
|---|---|---|
| Proven | 3,418,650 | 1.47 |
| Probable | 7,243,920 | 1.81 |
| Total Proven & Probable | 10,662,570 | 1.7 |

The overall 25m drill hole collar spacing, and corresponding data spacing based on geological interpretation and assigned Au grades is considered sufficient and appropriate for Mineral Resource and Mineral Reserve estimation. The major mineralization domains for each deposit/sector were defined using grade constraints and a nominal cut-off grade of 0.5 Au g/t to define boundaries between mineralized and weakly-mineralized or unmineralized domains.

Jugan Proven Mineral Reserves were estimated at 3,418,650t taking in 3,405,600t (100%) of the Measured Mineral Resources, The Jugan and BYG-Krian combined totals of 7,243,920t of Probable Mineral Reserves were classified from 3,405,600t (100% Jugan) Measured, and 3,838,320t Indicated (53% Jugan) out of a total of 14,505,700t Indicated, Mineral Resources after consideration of the modifying factors that were applied to exploitation of those deposits. Probable Mineral Reserves for Jugan and BYG-Krian total 7,243,920t derived from 14,505,700t of Indicated Mineral Resources, or about 47%.

***Effective date of each estimate of Mineral Resources***

In 2010 Qualified Persons from Terra Mining Consultants/Stevens & Associates (TMC/SA) reviewed historic core and rock chips; re-logged and re-interpreted the relevant logs as necessary in addition to core descriptions in the drill logs and checked them against the lithological data entered into the database. That same year SGS Laboratories provided Besra with sample preparation and Au fire assay analytical services, with minor element (23) analyses by ICP in Perth and in 2012 at their new facility at BYG-Bau. The complete dataset of holes (historic and current) was used in the Mineral Resource estimate.

In 2011 and 2012 Mineral Resource estimate updates and the 2010 original Mineral Resource definition, were based on the 2010 through 2012 drilling results. TMC/SA also reviewed, validated, and incorporated all historic and most recent drilling results including geological and lithological re-interpretation.

The original Jugan/Bekajang deposits assessment upon which the Mineral Resource is based, was conducted by TMCSA in 2010 and then a resource update in 2012 by QP, Graeme Fulton/Besra which included:

- Review, input and validate information and data not captured in the Mineral Resource database;
- Combined the reformed data into a clean and reliable resource database-referential integrity, with associated data being verified ahead of final loading onto the Besra server;

The 2012 and 2011 resource updates, as well as the 2010 original resource definition, are based on resource drilling during 2010 to 2012. They incorporate all historic and recent drilling validation and geological re-interpretation.

***Key Assumptions, Parameters, and Methods used to Estimate the Mineral Resources and Mineral Reserves***

Key assumptions are that the extensive data validation, cross checking and rectification process undertaken prior to resource modelling verified that all data and sources were the best possible, particularly with respect to the historic data so providing "clean", reliable and accurate data for the Mineral Resource model and hence the Mineral Reserve estimate.

All aspects of the Project related to deposits Jugan and Bekajang (BYG-Krian) are deemed to be at least to a Pre-feasibility Study of December 2013 level, with some components deemed to be Feasibility Report Study level.

The Au mineralized areas of the deposits that show the most confidence in continuity of Au mineralization and structure, and drill hole coverage in these zones is 25m by 25m, sufficiently sampled to provide confidence in geological interpretation for Mineral Resource estimation. Compared to the zones where the drill coverage is 50m and above, the confidence is less and is usually reflected in a lower tier category assigned.

Mineral Resource modelling undertaken at Jugan and Sirenggok deposits, as well as the Taiton, Pejiru and Bekajang sectors, were classified as Measured, Indicated and Inferred based on the following criteria:

- The Pre-feasibility Study 2013 demonstrated that the Jugan and BYG-Krian deposits have the potential for eventual economic extraction.
- Enough exploration drill coverage provided quality sampling and assaying data of sufficient precision and accuracy, as well as confidence in domain interpretation, to support the appropriate resource classifications.
- Measured Mineral Resources represents that sufficient sample assay analysis and density data exist, that further drilling and sampling would not increase the confidence in the quality of the Mineral Resource estimate.
- Indicated Mineral Resources represent continuity has established a confidence level from drill coverage, strong understanding of mineralization control geology and estimation confidence to support this classification.
- Inferred Mineral Resources represent where the geology and grade continuity has been established, but only to the extent that grade continuity is inferred or extrapolated from insufficient drill coverage.

Criteria for classification of Mineral Resource categories was derived from a combination of the geostatistical analysis of grade, hole data, geological structural and lithological continuity from cross and longitudinal sectional interpretation and drill hole spacing, together with variography and estimation statistics using number of samples, kriging efficiency, and slope regression.

The Mineral Resources that have been assigned classifications have considered all known and site specific and relevant technical factors specifically geology/mineralization control and grade continuity, reliable spatial distribution of input data and overall interpretation. The predominant factors affecting continuity of Au grade appear to be structural orientation both localized and on a project scale, such as faults and fractures that cut and displace the zone(s).

Visual examination of the database and assessing histograms, resulted in top cuts values being assigned to remove the effect of anomalous high-grade outliers in the Mineral Resource estimation. All samples with assays above the top cut in Au g/t were truncated to this value. Top cuts were applied to composite assays constrained by orebody solids prior to grade estimation in Datamine.

The 2010 Mineral Resource estimates for all deposits and sectors used a cut-off of 0.75 Au g/t, but subsequent pit optimization and costing during the Pre-feasibility Study 2013 demonstrated that the Mineral Reserve would potentially be lower than the Mineral Resource cut-off grade. So in the 2012 Mineral Resource estimates, a 0.5 Au g/t cut-off was universally applied with the assumption that the Pre-feasibility assessment work was appropriate.

Resource estimation and modelling used Ordinary Kriging from 1m composites into specific, appropriate estimation domains for the style and nature of mineralization. Orebody solids were interpreted at a 0.5 Au g/t grade boundary reflecting the interpreted geology considered a natural domain for mineralized material within the Bau Project deposits.

Both checks for Inverse Distance Squared and Nearest Neighbor comparative resource estimates were set at 0.25 Au g/t increments. The comparative resource estimate results compared well with the Ordinary Kriging resource estimate and the minor differences probably reflect the interpolation techniques/application.

The mineralized zone wireframes generated in Gemcom/Datamine/CAE Mining and imported into Datamine/CAE Mining were validated before assigning block model cells orientated orthogonally are assumed reliable. Datamine's CAE NVP Scheduler was used to perform pit optimizations which defined the cut-off values based on iterations for planned economic extraction to arrive at optimization shells considering cost parameters and a Au price of $US1,500 per ounce. The cost parameters were derived mostly from NBG/Besra in-house studies and metallurgical test works conducted by SGS Perth and HRL Brisbane, Australia.

The Mineral Reserve is based on the Pre-feasibility Study 2013 level of accuracy and confidence particularly related to the Modifying Factors' consideration of mining, processing, metallurgical, infrastructure, economics, gold price, legal, environmental, social and Malaysian Federal and Sarawak State governmental factors. The assumption is that the Modifying Factors used for the conversion of the Mineral Resources to Mineral Reserves are appropriate and robust.

For open pit inventory, the resource block model estimation methodology incorporates adequate dilution and provides a reasonable estimate of mined tonnage and grades. Peripheral waste has been included at 5% in the Mineral Reserves in anticipation of stringent grade control procedures during mining. The Mineral Resources are reported inclusive of the Mineral Reserves. The Measured and Indicated Resources were used as the basis for conversion to the Mineral Reserve. Mineral Resources that are not Mineral Reserves have not demonstrated economic viability.

There are currently no known legal, political, environmental or other risks that could materially affect the potential development of the mineral resources or mineral reserves.

***Results of an Economic Analysis of Mineral Resources***

The economic analysis in the Pre-feasibility Study 2013 determined that a practical mine plan which is technically achievable and economically viable, and all material Modifying Factors have been considered. The Mineral Resources are reported inclusive of the Mineral Reserves. The Measured and Indicated Resources were used as the basis for conversion to the Mineral Reserve. Mineral Resources that are not Mineral Reserves have not demonstrated economic viability.

All operating and capital costs, as well as revenue streams were included in the financial models. Sensitivity analysis was applied to capital costs, operating costs, gold grade, gold recovery, gold prices and foreign exchange. Inflation rate and price increases were not considered.

Some key sensitivities identified in the Economic Analyses of the Bau Project Pre-feasibility Study are:

- Mining and process cost variations moving in the upward direction show drops in IRR/NPV, but these do not go negative within the variations tested, showing a little less sensitivity.
- The capital cost variation shows similar trend although a +20% takes the project negative.
- Other than Au price, the grade and recovery analysis show much more sensitivity to the factors.
- Although the sensitivities show the negative impact on higher costs and lower grade, recovery and Au price it also shows a large upside for small positive increments.
- These sensitivities have been reviewed individually. Combined they have a compounded impact.
- The negative impacts are of lower value than the equivalent positive impacts.

This process has demonstrated that the Mineral Reserves can be processed yielding a positive net present value (NPV) on a number of options.

## Summary of Quarterly results

The Group is not currently a compliant reporting issuer and has not prepared financial statements on a quarterly basis.

## Liquidity & Capital Resources

Working Capital:

| | 30 June 2018 | 30 June |
|---|---|---|
| Cash and Cash Equivalents | 73,003 | |
| Tax and Other Receivables | 62,857 | |

| | |
|---|---|
| Prepayments | 7,529 |
| Derivative Asset | 2,736,987 |
| Trade and Other Payables | (2,687,850) |
| Derivative Liability | - |
| Convertible Note | (10,319,738) |
| Net working Capital | (10,127,212) |

As the Group is still in the exploration and evaluation phase, albeit scaled back in 2018, while it deals with constraints caused by the CTO. Currently it has no source of income. The recoverability of the costs incurred is dependent on proving the economic recoverability of gold reserves and the ability of the Group to obtain necessary funding to continue to finance the project.

As at 30 June 2018 net working capital was negative $10,127,212. The Group requires further funding to continue the project. No assurance can be given that the capital required can be raised on terms acceptable to the Group to continue to fund the project and this may cast doubt about the Group's ability to continue as a going concern.

## Related Party Disclosure

Transactions with related parties are conducted on reasonable commercial terms and approved by non-interested members of Besra's board.

The Financial Statements include the statements of Besra Gold Inc. and the subsidiaries in the following table:

| Name | % Equity Held as at: | |
|---|---|---|
| | 30 June 2018 | 30 June 2017 |
| Besra NZ Ltd | 100 | 100 |
| Besra Labuan Ltd | 100 | 100 |
| North Borneo Gold Sdn Bhd | 87.06 | 87.06 |
| Bau Mining Co. Ltd | 91 | 91 |

**Related party balances**

***Ultimate Parent:***

| | 30 June 2018 | 30 June 2017 |
|---|---|---|
| Convertible note | 8,385,013 | 8,058,149 |
| Derivative | (2,070,770) | 2,429,037 |
| Interest | 546,631 | 197,278 |

The amounts disclosed in the table are the amounts recognized during the reporting period related to the ultimate parent, Pangaea.

***Key Management:***

| | 30 June 2018 | 30 June 2017 |
|---|---|---|
| Management fees and salary expense | 391,012 | 403,130 |
| Termination benefits expense | - | 96,324 |
| Management Fees Payable | 292,968 | 23,355 |

***Entities with Common Directors Who Have Significant Influence:***

| | 30 June 2018 | 30 June 2017 |
|---|---|---|
| Consultancy fees expense | 141,950 | 90,227 |
| Convertible note | 1,934,725 | 1,747,604 |

| | | |
|---|---|---|
| Interest-bearing loan | 40,701 | - |
| Derivative | (666,217) | (398,253) |
| Interest | 141,722 | (32,060) |
| Consultancy fees payable | 130,516 | 11,559 |

The amounts disclosed in the table are the amounts recognized during the reporting period related to InCor as the entity has Common Directors who are deemed to have a significant influence over the Group.

***Directors Loan***

A director of the company, Mr N Jon Morda, made a short-term unsecured loan to the company of US$26,680.80 at an interest rate of 12%.

**Companies Controlled by Management**

Management compensation incurred on behalf of the Group were paid to companies controlled by officers of the Group. The companies that were paid for management compensation include the following:

| Group Name | Name | Position |
|---|---|---|
| Jura Trust Limited | John Seton | Chief Executive Officer |
| Meridian Corporate Advisory Limited | John Glen | Chief Financial Officer |

Consultancy fees incurred on behalf of the Group were paid to InCoR Holdings Ltd during the period, for the provision of the technical consulting services of David Driesinger and Jim King, pursuant to an annual Technical Services Agreement dated 17 November 2016 renewed on 17 November 2017.

InCoR Holdings Ltd is a public Group of which Ms Jocelyn Bennett is a director. InCoR Holdings Ltd also made a short-term loan to the issuer during the period at an interest rate of 12% per annum.

Pangaea Holdings Limited, a provider of secured and unsecured lending to Besra is a related party of the issuer due to Ms Jocelyn Bennett and Mr John Terry being directors of both the issuer and Pangaea.

**Management Services Agreements**

The Group has entered into a management services agreement or employment agreement (each an "Executive Agreement"), as the case may be, with each of its senior executive officers (each, an "Executive") that provide for specific benefits in the event that executive's employment is terminated voluntarily by the Executive upon notice to the Group or a material change in the Executive's responsibilities or by the Group with cause or upon notice. A summary of these benefits follows.

***Termination***

Pursuant to the Executive Agreements, the Group is required to make certain payments upon termination (whether voluntary, involuntary, or constructive), resignation or retirement or upon a change in the Executive's responsibilities, as applicable. An estimate of the amount of these payments assuming that the triggering event giving rise to such payments occurred on June 30, 2018, is set out in the table below and is more fully described in the section that follows:

<u>Triggering Event</u>

| NEO | Triggering Event | | |
|---|---|---|---|
| | Resignation or Retirement | Termination without cause | Material change in responsibilities |
| John Seton | Nil | C$687,505 | C$687,505 (1) |
| John Glen | Nil | C$112,500 | C$112,500 (2) |

(1) equivalent to 30 months' salary
(2) equivalent to 6 months' salary

Contractual Commitments

As at 30 June 2018:

| | Within 1 year | 1-3 years | 3-5 years | Total |
|---|---|---|---|---|
| Convertible notes | 1,983,647 | 40,315,917 | 11,527,524 | 53,827,089 |
| Other borrowings | 206,504 | 391,051 | - | 597,555 |
| Purchase Obligation (Bau) | 4,212,439 | - | - | 4,212,439 |

## Disclosure Controls & Procedures

Management is responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Group.

Based on an evaluation of the Group's disclosure controls and procedures as of the end period covered by this MD&A, management believes such controls and procedures are effective in providing reasonable assurance that material items requiring disclosure are identified and reported in a timely manner.

Readers are cautioned that the Group is not required to certify the design and evaluation of its disclosure controls and procedures and internal controls over financial reporting and has not completed such an evaluation.

The inherent limitations on the ability of the Group's certifying officers to design and implement on a cost-effective basis disclosure controls and procedures and internal controls over financial reporting for the Group 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 Management and Disclosure

Readers of the MD&A are encouraged to read the risk management sections in the Group's filings with the Canadian Securities Administrators. It is also included in the Audited Financial Statements for the year 30 June 2018.

The nature of the Group's operations exposes the Group to credit risk, liquidity risk, market risk, commodity risk, financial risk and geopolitical risk, which may have a material effect on cash flows, operations and comprehensive income.

The Group's risk management policies and procedures are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and to monitor market conditions and the Group's activities. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework and policies.

**Credit risk**

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. Financial instruments that potentially subject the Group to credit risk consist primarily of cash and accounts receivable.

The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Group reduces its credit risk by maintaining its bank accounts at large financial institutions. Accounts receivable consists of amounts receivable from the Canadian federal government for the refundable GST amounts. The Group assess the collectability and fair value of this receivable at each reporting period.

**Liquidity risk**

Liquidity risk is the risk that the Group is not able to meet its financial obligations as they fall due. All of the Group's financial liabilities are classified as current and are anticipated to mature within the next fiscal year.

The Group's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. See also Note 3 in the Besra's financial statements.

**Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Group is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risk on the Group's cash is minimal.

**Foreign exchange risk**

The Group currently operates in Malaysia. The Group could accordingly be at risk for foreign currency fluctuations.

**Geopolitical risk**

The Group has properties in Malaysia. As such, the Group is subject to political, economic and other uncertainties, including, but not limited to, changes in policies and regulations or the personnel administering them, changes with regard to foreign ownership of property rights, exchange controls and royalty and tax increases, and other risks arising out of foreign governmental sovereignty over the areas in which the Group's operations are to be conducted, as well as risks of loss due to civil strife, acts of war and insurrections. If a dispute arises regarding the Group's property interests, the Group cannot rely on western legal standards in defending or advancing its interests.

**Industry risk**

The Group is engaged in the acquisition and exploration of and investment in resource properties, an inherently risky business, and there is no assurance that an economic mineral deposit will ever be discovered and subsequently put into production. Most exploration projects do not result in the discovery of economically mineable deposits. The focus of the Group is on areas in which the geological setting is well understood by management.

**Gold and metal price risk**

The price of gold is affected by numerous factors beyond the control of the Group including central bank sales, producer hedging activities, the relative exchange rate of the US$ with other major currencies, demand, political and economic conditions and production levels. In addition, the price of gold has been volatile over short periods of time due to speculative activities. The prices of other metals and mineral products for which the Group may explore all have the same or similar price risk factors.

**Trends**

Continued strength in the US dollar, decreasing oil prices and the stable gold price increases demand, especially from Asia, and perception of increased risk in major financial markets has supported a discernible need for the development of commodity exploration projects. Companies, like Besra Gold Inc, are key participants in identifying properties of merit to explore and develop.

**Reserves & Resources Risk**

The Group's resources and reserves estimates are subject to uncertainty.

Mineral resources that are not mineral reserves do not have demonstrated economic viability. Mineral resource estimates do not account for mineability, selectivity, mining loss, and dilution. These mineral resource estimates include inferred mineral resources that are normally considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is also no certainty that these inferred resources will be converted to measured and indicated categories through further drilling, or into mineral reserves once economic considerations are applied

The Group's mineral resources and mineral reserves are estimates based on a number of assumptions, any adverse changes could require the Group to lower its mineral resource and mineral reserve estimates.

There is no certainty that any of the mineral resources or mineral reserves disclosed by the Group will be realized or that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that reserves can be mined or processed profitably. Until a deposit is actually mined and processed, the quantity and grades of mineral resources and mineral reserves must be considered as estimates only.

Valid estimates made at a given time may significantly change when new information becomes available. Any material changes in the quantity of mineral resources or mineral reserves, grade or stripping ratio may affect the economic viability of the Group's properties.

There can also be no assurance that any discoveries of new or additional reserves will be made. Any material reductions in estimates of mineral resources or mineral reserves could have a material adverse effect on the Group's results of operations and financial condition.

**Funding Risk**

The Group is dependent upon its ability to raise funds in order to carry out its business. Exploration and development involve significant financial risk and capital investment.

The operations and expansion plans for the Group may also result in increases in capital expenditures and commitments. The Group may require additional funding to expand its business and may require additional capital in the future for, among other things, the development of the Bau Gold Project. No assurance can be given that such capital will be available at all or available on terms acceptable to the Group.

The Group may be required to seek funding from third parties if available credit facilities are insufficient to finance these activities. In the event that the Group was unable to obtain adequate financing on acceptable terms, or at all, to satisfy its operating, development and expansion plans, its business may be materially and adversely affected.

The success and the pricing of any such capital raising and/or debt financing will be dependent upon the prevailing market conditions at that time, the availability of funds from lenders and other factors relating to the Group's properties and operations.

**Debt Risk**

The Group has debt and may be unable to service or refinance its debt, which could have negative consequences on the Group's business, could adversely affect its ability to fulfil its obligations under its debt and may place the Group at a competitive disadvantage in its industry.

The Group has indebtedness in the form of convertible notes ("Convertible Notes"), secured and unsecured.

The existence of this debt could have negative consequences for the Group. For example, it could:

- increase the Group's vulnerability to adverse industry and general economic conditions;
- require the Group to dedicate a material portion of operating capital to make scheduled principal or interest payments on the debt, thereby reducing the availability of its cash flow for working capital, capital investments and other business activities;
- limit the Group's ability to obtain additional financing to fund future working capital, capital investments and other business activities;
- limit the Group's flexibility to plan for, and react to, changes in its business and industry; and
- place the Group at a competitive disadvantage relative to less leveraged competitors.

**Stock & Shareholder Risk**

The Group's stock price could be volatile.

The market price of the Group's common shares, like that of the common shares of many other natural resource companies, has been and is likely to remain volatile.

Results of exploration and mining activities, the price of gold and silver, future operating results, changes in estimates of the Group's performance by securities analysts, market conditions for natural resource shares in general, and other factors beyond the control of the Group, could cause a significant decline in the market price of the Group's common shares and results in the need to revalue derivative liabilities.

Future sales of common shares by existing shareholders could decrease the trading price of the common shares. Sales of large quantities of the common shares in the public markets or the potential of such sales could decrease the trading price of the common shares and could impair the Group's ability to raise capital through future sales of common shares.

The Group does not plan to pay any dividends in the foreseeable future. The Group has not paid a dividend in the past and it is unlikely that the Group will declare or pay a dividend for the foreseeable future.

The declaration, amount and date of distribution of any dividends in the future will be decided by the Board of Directors from time-to-time, based upon, and subject to, the Group's earnings, financial requirements, loan covenants and other conditions prevailing at the time.

Shareholders could suffer dilution of the value of their investment if the Group issues additional shares. There are a number of outstanding securities and agreements pursuant to which common shares may be issued in the future, including pursuant to the Convertible Notes, stock options and warrants. If these shares are issued, this may result in further dilution to the Group's shareholders.

## Other Financial Matters

### Off-Balance Sheet Arrangements

The Group has no off-balance sheet arrangements

### Financial Instruments

The Group has not entered into any financial agreements to minimise its investment, currency or commodity risk.

### Outstanding Shares

As at 30 June 2018 the Group had issued and outstanding 1,204,892,898 shares (June 30, 2017: 1,204,892,898). Subsequent to 30 June 2017 the Group did not buy back or cancel any shares.

### Critical Accounting Estimates

Information about significant areas of estimation uncertainty are considered by management in preparing the Audited Financial Statements is described in the Audited Financial Statements for the year ending 30 June 2018.

### Accounting Policies

The accounting policies and methods of computation are described in the Audited Financial Statements for the year 30 June 2018.

### Changes in Accounting Policies

The Group has reviewed new and revised accounting pronouncements that have been issued. The changes to accounting policies are described in the Audited Financial Statements for the year 30 June 2018.

## Use of and reliance on experts

The resource figures for the Bau Gold Property have been prepared by Mr Kevin Wright who is a Fellow of the Institute of Materials, Minerals and Mining (FIMMM) and a "Qualified Person" as defined in National Instrument 43-101 – Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators and is also a "Competent Person", as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" the JORC Code).

Mr Wright was a consultant to the Group and was "independent" within the meaning of National Instrument 43-101. Mr Wright consents to the inclusion in this report of the information that he has compiled in relation to the Bau Gold Property, in the form and context in which it appears.

The Group also used independent experts in the valuation and analysis the loan liabilities (i.e. the Convertible Notes). The methodology used by these independent experts is described above, 'Loan Liabilities valuation and analysis" under the section headed, Summary of Operations and Outlook.

## Cautionary Note Regarding Forward-Looking Statements

Certain of the statements made and information contained herein is "Forward-looking information" within the meaning of applicable securities laws, including statements concerning our plans at exploration projects, which involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information.

Forward-looking information is subject to a variety of risks and uncertainties that could cause actual events or results to differ from those reflected in the forward-looking information, including, without limitation, failure to establish estimated resources or to convert resources to mineable reserves; the grade and recovery of ore which is mined varying from estimates; capital and operating costs varying significantly from estimates; delays in obtaining or failure to obtain required governmental, environmental, or other project approvals; changes in national and local government legislation or regulations regarding environmental factors, royalties, taxation or foreign investment; political or economic instability; terrorism; inflation; changes in currency exchange rates; fluctuations in commodity prices; delays in the development of projects; shortage of personnel with the requisite knowledge and skills to design and execute exploration and development programs; difficulties in arranging contracts for drilling and other exploration and development services; dependency on equity market financings to fund programs and maintain and develop mineral properties; and risks associated with title to resource properties due to the difficulties of determining the validity of certain claims and other risks and uncertainties, including those described in each management's discussion and analysis released by the Group.

In addition, forward-looking information is based on various assumptions including, without limitation, the expectations and beliefs of management; the assumed long-term price of gold; the availability of permits and surface rights; access to financing, equipment and labour and that the political environment in the jurisdictions within which the Group operates will continue to support the development of environmentally safe mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements.

## Cautionary note regarding preparation of Mineral Reserves and Resources

This MD&A uses the terms "reserves" and "resources" and derivations thereof.

These terms have the meanings set forth in Canadian National Instrument 43-101 - Standards of Disclosure for Mineral Projects (NI 43-101) and the Canadian Institute of Mining, Metallurgy and Petroleum's Classification System (CIM Standards). NI 43-101 and CIM Standards differ significantly from the requirements of the United States Securities and Exchange Commission (the SEC). Under SEC Industry Guide 7, mineralization may not be classified as a "reserve" unless the determination has been made that is part of a mineral deposit, which could be economically and legally extracted or produced at the time of the reserve determination".

In addition, the term "resource", which does not equate to the term "reserve", is not recognized by the SEC and the SEC's disclosure standards normally do not permit the inclusion of information concerning resources in documents filed with the SEC, unless such information is required to be disclosed by the law of the Group's jurisdiction of incorporation or of a jurisdiction in which its securities are traded. Accordingly, information concerning descriptions of mineralization and resources contained in this Management's Discussion and Analysis may not be comparable to information made public by US domestic companies subject to the reporting and disclosure requirements of the SEC.

## Cautionary note regarding placing undue reliance

Readers are advised not to place undue reliance on forward-looking statements, which speak only as of the date they are made. Except as required under applicable securities legislation, the Group undertakes no obligation to publicly update or revise forward-looking information, whether as a result of new information, future events or otherwise.

## Oversight of the external auditor

Besra's audit committee maintains oversight of the work of the auditors. Informal discussions between the audit committee and the auditors are maintained. The audit committee has deemed the Group's external auditors to be appropriately experienced and qualified in the relevant jurisdictions. They have reported in line with the timetable. There has been no interference from Besra management that could affect their independence.

## Approval of the MD&A

This MD&A has been prepared by management with an effective date of 31st August 2018.

The MD&A and the Consolidated Financial Statements were approved by the Board of Directors of the Group.