# SAVANNAH GOLD CORP.

Interim MD&A - Quarterly Highlights
For the Three Months Ended March 31, 2017 and 2016

The Quarterly Highlights of Savannah Gold Corp. (the "Company" or "Savannah") provide a summary of the activities, results of operations and financial condition of the Company as at and for the three months ended March 31, 2017. The Quarterly Highlights have been prepared by management as of May 16, 2017 and should be read in conjunction with the condensed consolidated interim financial statements and related notes thereto of the Company for the three months ended March 31, 2017 and 2016, the audited consolidated financial statements and related notes thereto of the Company for the years ended December 31, 2016 and 2015, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), and the annual Management Discussion and Analysis ("MD&A") of the Company prepared by management as of April 21, 2017.

The Company was incorporated on August 19, 1998 under the laws of British Columbia. The Company is presently a "Venture Issuer", as defined in NI 51-102. Effective July 9, 2015, the Company's listing was transferred to the NEX board of TSX-V ("NEX") in accordance with TSX-V Policy 2.5 as the Company was not able to maintain the requirements for a TSX-V Tier 2 company. The Company is now listed on NEX under the symbol SAV.H.

On March 1, 2011, the Company incorporated a wholly-owned Canadian subsidiary, 0904254 BC Ltd. ("0904254 BC"), and on March 4, 2011 the Company incorporated a Mexican subsidiary, Mexigold Resources SA de CV ("MAU Mexico"), whereby the Company owns 99% and 0904254 BC owns 1% of MAU Mexico.

In 2011, the Company was in the business of exploring 3 concession properties in Durango-Zacatecas, Mexico until it terminated its option agreement in 2012.

On August 22, 2016, the Company changed its name from Mexigold Corp. to Savannah Gold Corp. and its stock symbol from MAU.H to SAV.H. The Company also consolidated its share capital on a ratio of one new post-consolidated common share for every two old pre-consolidated common shares.

On March 3, 2017, the Company consolidated its share capital on a ratio of five old common shares for every one new post-consolidated share. On completion of the consolidation, the Company had 3,046,021 issued and outstanding common shares.

On March 13, 2017, the Company completed a non-brokered private placement of 1,700,000 post-consolidated common shares at a price of $0.15 per common share, for total gross proceeds of $255,000.

On April 12, 2017, the Company completed a non-brokered private placement of 3,000,000 units at a price of $0.20 per unit for aggregate gross proceeds of $600,000. Each unit consists of one common share of the Company and one-half of one transferable common share purchase warrant with each warrant entitling the holder thereof to acquire one additional common share at a price of $0.40 until April 10, 2019, subject to acceleration. The Company paid finder's fees of $29,750 and issued 148,750 non-transferable finder's warrants to certain agents in accordance with applicable securities laws and the policies of the TSX-V. The finder's warrants were issued on the same terms as the unit warrants.

## Forward-looking statements

Certain statements contained in the following Quarterly Highlights constitute forward-looking statements. Such forward-looking statements include, but are not limited to, statements regarding the Company's ability to complete its proposed acquisition transaction with 1975293 Alberta Ltd. and continue with the development of resource assets in the lithium sector, and its ability to raise sufficient financing to continue its operations. These forward-looking statements involve a number of known and unknown risks, uncertainties and other factors including financial, regulatory, operational, environmental and political risks, general equity and market conditions. The outcome of these factors may cause the actual results and performance of the Company to be materially different from any plans or results expressed or implied by such forward-looking statements. Readers are cautioned not place undue reliance on these forward-looking statements.

## Proposed Transaction with E3 Metals

On April 24, 2017, the Company entered into a Letter of Intent ("LOI") with 1975293 Alberta Ltd., operating as E3 Metals ("E3 Metals"), a private company incorporated under the Alberta Business Corporations Act and headquartered in Calgary, Alberta, Canada.

E3 Metals, is a lithium "petro-brine" exploration and development company focusing on the Clearwater and Exshaw Projects covering the Leduc reservoir in south-central Alberta. These projects were specifically selected, and first to be staked in the region for lithium exploration, due to their ability to deliver the large volumes of water required for direct extraction of lithium from petro-brines. Historical lithium concentrations in the region range as high as 140mg/L within the reservoir. Ease of on-the-ground access and the large amount of existing infrastructure available associated with the production of oil and gas is the reason E3 Metals has focused its efforts in the region. Centrally located around Red Deer, the city which is the hub for oil and gas service companies operating in the province, E3 Metals will look to leverage access to the existing infrastructure in order to lower both costs and risks for the assessment and potential development of its projects.

On May 8, 2017, the Company and E3 Metals entered into a definitive Share Exchange Agreement (the "Definitive Agreement"), whereby all outstanding securities of E3 Metals will be exchanged for securities of the Company (the "Transaction"), which constitutes a Fundamental Acquisition (as that term is defined in the policies of the TSX-V).

On closing of the Transaction, the Company will pay E3 Metals $150,000 and issue to the securities holders of E3 Metals (i) a total of 6,000,000 common shares of the Corporation in exchange for 100% of the outstanding shares of E3 Metals and (ii) 600,000 share purchase warrants in exchange for 100% of the outstanding share purchase warrants of E3 Metals. Each warrant will be exercisable into one common share in the capital of the Company at an exercise price of $0.30 per share until April 19, 2020.

On, or prior to, closing of the Transaction, it is anticipated that Savannah will change its name to E3 Metals Corp. Upon completion of the Transaction, the Company will carry on with the development of E3 Metals' "petro-brine" projects in south-central Alberta.

The completion of the Transaction is subject to a number of conditions, including but not limited to, the completion of satisfactory due diligence including the delivery and satisfactory review of the audited financial statements of E3 Metals and the satisfactory review and approval of the of the National Instrument 43-101 technical report on the Clearwater and Exshaw Projects by the TSX-V. The Transaction is an arm's length transaction.

The Company has provided a loan of $25,000 to E3 Metals for the purpose of continuing with various project related initiatives. The parties agreed that in the event the closing of the Transaction occurs on or before August 1, 2017, the loan will bear no interest and be forgiven upon closing of the Transaction. In the event the closing does not occur on or before August 1, 2017, the loan will become immediately due on demand, and will bear interest at a rate of 7% per annum retroactively from April 19, 2017 until the date of repayment.

## Analysis of the Company's financial performance and conditions

*Three months ended March 31, 2017 and 2016*

During the three months ended March 31, 2017, the Company reported a net loss of $24,724 compared to $27,533 during the same period in 2016, a decrease in loss of $2,809. The decrease in loss was a result of decreases in management and administrative fees during the period, offset by increases in professional, regulatory and transfer agent fees.

Pursuant to the terms of the Management and Administrative Services Agreement, the Company was paying a monthly management fee of $2,500 and an administrative fee of $3,000 per month (Transaction with Related Parties). The Company terminated this agreement effective March 1, 2017, and also paid a reduced management service fee of $500 for the month of February 2017. As a result, administration expenses decreased by $3,000, and management fees decreased by $4,500 for the quarter.

Professional fees increased by $3,802 due to accrued legal fees for services provided in connection with the consolidation of share capital and negotiation of the LOI with E3 Metals.

Regulatory and transfer agent fees increased by $1,054 due to additional costs incurred in connection with the consolidation of share capital and the private placement.

The Company reported a working capital deficiency of $99,791 at March 31, 2017 compared to a working capital deficiency of $393,787 at December 31, 2016, representing an increase in working capital of $293,996. The increase in working capital was a result of proceeds from the private placements.

As at March 31, 2017, the Company had net cash on hand of $76,416 compared to cash on hand of $484 at December 31, 2016.

During the three months ended March 31, 2017, the Company raised $254,660 from the March 2017 private placement net of share issuance costs and also received $64,000 in share subscriptions with respect to the April 2017 private placement.

During the three months ended March 31, 2017, the Company used $242,946 in its operating activities including a repayment of amounts due to related parties of $222,862.

Current assets excluding cash as at March 31, 2017 consisted of GST recoverable of $16,611 (December 31, 2016 - $15,726) and prepaid regulatory fees of $1,000 (December 31, 2016 - $1,250).

Current liabilities as at March 31, 2017 consisted of trade payables and accrued liabilities of $131,818 (December 31, 2016 - $126,565) and due to related parties of $62,000 (December 31, 2016 - $284,862).

In 2011 and 2012, MAU Mexico conducted exploration activities of the Durango-Zacatecas properties and paid the value added tax ("VAT") of approximately $245,000 (MXN 3,600,000) on qualified exploration expenditures. Management of the Company continues to communicate with its legal and accounting advisors in Mexico to re-apply to the Mexican tax authorities to claim the VAT recovery. As it is uncertain when the Company would be able to reclaim the VAT, the amount of the expected VAT recoverable has been written-off in 2013 and is not included in the consolidated statements of financial position of the Company at March 31, 2017.

The Company has not had a history of operations or earnings and the overall success of the Company will be affected by its current or future business activities.

The Company is exposed in varying degrees to a variety of financial instrument related risks, including liquidity risk and market risks with respect to its ability to raise capital through equity markets under acceptable terms and conditions. Management monitors its activities and various factors that could impact the risks in order to manage risks and make timely decisions. For further discussion of financial risks, please refer to Note 8 of the condensed consolidated interim financial statements for the three months ended March 31, 2017.

## Transactions with Related Parties

The Company entered into an agreement with Varshney Capital Corp. ("VCC"), a company with a common director, Praveen Varshney, to provide management and administrative services to the Company in exchange for a monthly fee of $5,000 and $3,000, respectively.

On July 1, 2015, the Company renewed its agreement with VCC for management and administrative services for a monthly fee of $2,500 and $3,000, respectively, for a term of 3 years. The agreement was terminated effective March 1, 2017.

During the three months ended March 31, 2017, the Company incurred $3,000 (2016 - $7,500) for management fees and $6,000 (2016 - $9,000) for administrative fees to VCC.

As at March 31, 2017, $Nil (December 31, 2016 - $221,550) was due to VCC for management and administrative fees and $62,000 (December 31, 2016 - $62,000) was due to VCC for an operating loan. The loans were paid subsequent to March 31, 2017.

As at March 31, 2017, $Nil (December 31, 2016 - $1,312) was due to a director of the Company for reimbursement of expenses.

**Summary of outstanding share data as at May 16, 2017:**

Authorized: Unlimited common shares without par value

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| Issued and outstanding: | 7,746,021 |
| Share purchase warrants: | 1,648,750 |

Additional disclosures pertaining to the Company’s management information circulars, material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.

On behalf of the Board of Directors, thank you for your continued support.

*“Praveen Varshney”*

Praveen Varshney, FCPA, FCA
Director