ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Current Business Activities

General

Livengood Gold Project Developments

During the year ended December 31, 2018 and to the date of this Annual Report on Form 10-K, the Company progressed on a number of opportunities with the potential for optimization and reducing the costs of building and operating a mine at the Project. Outside consultants were retained to conduct additional metallurgical tests and engineering, including confirmation of the flow sheet and optimizing the operating costs. Using the improved mineralization and alteration models now available for the Livengood gold deposit arising from the work completed in 2017, 4,000 kg of metallurgical composites were selected and shipped to SGS Vancouver. Approximately 2,000 kg of these samples were processed during 2018 to evaluate optimum grind size and to determine whether different recovery parameters should be applied to different areas of the orebody. The engineering firm of BBA Inc. (BBA) was retained to continue to guide the metallurgical program. Work was also completed to advance the environmental baseline efforts needed to support future permitting.

Director Changes

On March 16, 2018, Mr. Victor Flores notified the Board of his decision to resign as director effective on March 21, 2018. Mr. Flores was nominated for election as director by Paulson & Co., Inc. ("Paulson") pursuant to that certain Investor Rights Agreement, dated December 28, 2016, between the Company and Paulson. Effective on March 22, 2018, the Company appointed Mr. Damola Adamolekun as director, filling the vacancy created by the resignation of Mr. Flores.

The Board appointed Mr. Stuart Harshaw to the Board effective April 1, 2018, to fill the vacancy that resulted from General Hamilton's November 6, 2017 resignation.

At the 2018 Annual General Meeting of shareholders in Vancouver, B.C. on May 30, 2018, the shareholders fixed the size of the board at nine with the addition of the Company's chief executive officer, Mr. Karl Hanneman.

Financing

On March 13, 2018, the Company completed a non-brokered private placement pursuant to which it issued 24,000,000 common shares at $0.50 per share for gross proceeds of $12.0 million. The Company intends to use the funds for continuation of optimization studies in the attempt to further improve and de-risk the Project, for required environmental baseline studies, and for general working capital purposes.

Other Developments

On March 12, 2018, the Board approved recommendations by management to further reduce corporate overhead costs, including a reduction in CEO salary by 50% (reflecting an approximate 50% reduction in the amount of time the CEO will spend working on the Project), a reduction in board cash compensation and expense, and staff reductions as appropriate as critical work is completed. Depending upon the level of technical work or permitting efforts underway in future years, these cost savings are expected to bring total project G&A costs into the range of $2.5 million per year.

2019

Outlook

On November 1, 2018, the Board approved a 2019 budget of $3.7 million. The work program incorporated in this budget will build upon the metallurgical studies undertaken in 2018 to continue to define and refine the project flowsheet. Approximately 2,000 kg of samples will be processed in 2019 to evaluate optimum grind size and to determine whether different recovery parameters should be applied to different areas of the orebody. The engineering firm of BBA Inc. ("BBA") will be retained to continue to guide the metallurgical program. Work is also planned to advance the environmental baseline efforts needed to support future permitting.

The Company remains open to a strategic alliance to help support the future development of the Project while considering all other appropriate financing options. The size of the gold resource, the favorable location, and the proven team are some of the reasons the Company would potentially attract a strategic partner with a long term development horizon who understands the Project is highly leveraged to gold prices.

Results of Operations
Summary of Quarterly Results

Description	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Net loss	$ (901,767)	$ (1,269,636)	$ (955,415)	$ (1,065,220)
Basic and diluted net loss per common share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)

Description	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Net loss	$ (1,380,921)	$ (1,745,513)	$ (1,627,646)	$ (1,677,977)
Basic and diluted net loss per common share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)

Significant fluctuations in the Company's quarterly net loss have mainly been the result of operating cost changes.

Year ended December 31, 2018 compared to Year ended December 31, 2017

The Company had cash and cash equivalents of $10,228,964 at December 31, 2018 compared to $2,244,466 at December 31, 2017. The Company incurred a net loss of $4,192,038 for the year ended December 31, 2018, compared to a net loss of $6,432,057 for the year ended December 31, 2017. The following discussion highlights certain selected financial information and changes in operations between the year ended December 31, 2018 and the year ended December 31, 2017.

Mineral property expenditures were $1,576,251 for the year ended December 31, 2018 compared to $2,446,934 for the year ended December 31, 2017. The decrease of $870,683 is due to reduced expenditures for metallurgical studies and engineering and the Company limiting field activities to the continuation of critical environmental baseline work while moving forward with a multi-phase metallurgical test work program.

Share-based payment charges were $603,818 during the year ended December 31, 2018 compared to $443,556 during the year ended December 31, 2017. The $160,262 increase in share-based payment charges during the period was mainly the result of the incentive options granted on March 21, 2018 to certain officers and employees of the Company and the deferred share units ("DSUs") issued on October 17, 2018 to certain members of the Board of Directors being fully vested upon issuance. The Company granted 420,085 options during the year ended December 31, 2018 compared to 250,000 options granted during the year ended December 31, 2017. At December 31, 2018, there was unrecognized compensation expense of C$2,242 related to non-vested options outstanding. The cost is expected to be recognized over a weighted-average remaining period of approximately 0.08 years.

Share based payment charges were allocated as follows:

Expense category:	Year ended December 31, 2018	Year ended December 31, 2017
Consulting	$ 414,422	$ 384,516
Investor relations	5,967	848
Wages and benefits	183,429	58,192
	$ 603,818	$ 443,556

Excluding share-based payment charges of $183,429 and $58,192, respectively, wages and benefits decreased to $1,706,182 for the year ended December 31, 2018 from $1,877,788 for the year ended December 31, 2017. The reduction of $171,606 is primarily due to staff reductions partially offset by severance for four staff reductions.

Consulting fees, excluding share-based payment charges of $414,422 and $384,516, respectively, were $138,870 for the year ended December 31, 2018 compared to $275,846 for the year ended December 31, 2017. The decrease of $136,976 is primarily due to decreased media support services and the Company's continued efforts to maintain or reduce spending.

Insurance costs were $169,036 for the year ended December 31, 2018 compared to $281,948 for the year ended December 31, 2017. The decrease of $112,912 resulted after the Company completed a review of coverage requirements.

Professional fees were $227,082 for the year ended December 31, 2018 compared to $263,863 for the year ended December 31, 2017. The decrease of $36,781 is due primarily to decreased legal fees related to property matters.

Excluding share-based payments, all other operating expense categories reflected only moderate changes period over period.

Other items amounted to an income of $676,186 during the year ended December 31, 2018 compared to other expense of $314,593 in the year ended December 31, 2017. The Company had a foreign exchange gain of $522,248 during the year ended December 31, 2018 compared to a loss of $364,188 during the year ended December 31, 2017 as a result of the impact of exchange rates on certain of the Company's U.S. dollar cash balances. The average exchange rate during the year ended December 31, 2018 was C$1 to US$0.7721 compared to C$1 to US$0.7708 for the year ended December 31, 2017.

Available-for-sale securities were sold during the year ended December 31, 2018 and were deemed not to be impaired for the year ended December 31, 2017.

Liquidity and Capital Resources

The Company has no revenue generating operations from which it can internally generate funds. To date, the Company's ongoing operations have been predominantly financed through sale of its equity securities by way of private placements and the subsequent exercise of share purchase and broker warrants and options issued in connection with such private placements. However, the exercise of warrants/options is dependent primarily on the market price and overall market liquidity of the Company's securities at or near the expiry date of such warrants/options (over which the Company has no control) and therefore there can be no guarantee that any existing warrants/options will be exercised. There are currently no warrants outstanding.

As at December 31, 2018, the Company reported cash and cash equivalents of $10,228,964 compared to $2,244,466 at December 31, 2017. The increase of approximately $8.0 million resulted mainly from the completion of a $12.0 million non-brokered private placement on March 13, 2018 and interest and other income of $0.2 million partially offset by operating expenditures on the Livengood Gold Project of approximately $4.8 million and a positive foreign currency translation impact of approximately $0.5 million. The Company intends to use the remaining funds for continuation of optimization studies in the attempt to further improve and de-risk the Project, for required environmental baseline studies, and for general working capital purposes. As at March 14, 2019, management believes that the Company has sufficient financial resources to maintain its operations for the next twelve months.

The Company had no cash flows from investing activities during the year ended December 31, 2017.

Financing activities during the year ended December 31, 2018 included completion of a non-brokered private placement pursuant to which the Company issued 24,000,000 common shares at $0.50 per share for gross proceeds of $12.0 million. Share issuance costs included $111,379 related to the March 2018 private placement. Following the resignation of director Mark Hamilton on November 6, 2017, the Company recognized an obligation to issue 129,687 common shares, with a value of $63,593. On March 27, 2018, the Company issued the common shares in full satisfaction of the obligation. As a result of the exercise of stock options, $181,026 in proceeds was received during the year in connection with the issuance of 468,000 common shares.

As at December 31, 2018, the Company had working capital of $9,884,979 compared to working capital of $1,993,358 at December 31, 2017. The Company expects that it will operate at a loss for the foreseeable future, but believes the current cash and cash equivalents will be sufficient for it to complete its anticipated 2019 work plan at the Livengood Gold Project and satisfy its currently anticipated general and administrative costs through the 2020 fiscal year.

The Company will require significant additional financing to continue its operations (including general and administrative expenses) in connection with advancing activities at the Livengood Gold Project and the development of any mine that may be determined to be built at the Livengood Gold Project, and there is no assurance that the Company will be able to obtain the additional financing required on acceptable terms, if at all. In addition, any significant delays in the issuance of required permits for the ongoing work at the Livengood Gold Project, or unexpected results in connection with the ongoing work, could result in the Company being required to raise additional funds to advance permitting efforts. The Company's review of its financing options includes pursuing a future strategic alliance to assist in further development, permitting and future construction costs, although there can be no assurance that any such strategic alliance will, in fact, be realized.

Despite the Company's success to date in raising significant equity financing to fund its operations, there is significant uncertainty that the Company will be able to secure any additional financing in the current or future equity markets. See "Risk Factors – We will require additional financing to fund exploration and, if warranted, development and production. Failure to obtain additional financing could have a material adverse effect on our financial condition and results of operation and could cast uncertainty on our ability to continue as a going concern." The quantity of funds to be raised and the terms of any proposed equity financing that may be undertaken will be negotiated by management as opportunities to raise funds arise. Specific plans related to the use of proceeds will be devised once financing has been completed and management knows what funds will be available for these purposes. Due to this uncertainty, if the Company is unable to secure additional financing, it may be required to reduce all discretionary activities at the Project to preserve its working capital to fund anticipated non-discretionary expenditures beyond the 2019 fiscal year.

Other than cash held by its subsidiaries for their immediate operating needs in the United States, all of the Company's cash reserves are on deposit with a major Canadian chartered bank. The Company does not believe that the credit, liquidity or market risks with respect thereto have increased as a result of the current market conditions.

Contractual Obligations and Commitments

The following table discloses, as of December 31, 2018, the Company's contractual obligations, including anticipated mineral property payments and work commitments. Under the terms of the Company's mineral property purchase agreements, mineral leases and the terms of the unpatented mineral claims held by it, the Company is required to make certain scheduled acquisition payments, incur certain levels of expenditures, make lease or advance royalty payments, make payments to government authorities and incur assessment work expenditures as summarized in the table below in order to maintain and preserve the Company's interests in the related mineral properties. If the Company is unable or unwilling to make any such payments or incur any such expenditures, it is likely that the Company would lose or forfeit its rights to acquire or hold the related mineral properties. The following table assumes that the Company retains the rights to all of its current mineral properties, but does not exercise any lease purchase or royalty buyout options:

	Payments Due by Year						
	2019	2020	2021	2022	2023	2024 and beyond	Total
Mineral Property Leases[(1)]	$425,389	$430,420	$435,526	$440,709	$445,970	$451,310	$2,629,324
Mining Claim Government Fees	114,825	114,825	114,825	114,825	114,825	114,825	688,950
Total	$540,214	$ 545,245	$ 550,351	$ 555,534	$ 560,795	$ 566,135	$3,318,274

1. Does not include required work expenditures, as it is assumed that the required expenditure level is significantly below the work which will actually be carried out by the Company. Does not include potential royalties that may be payable (other than annual minimum royalty payments).

Off-Balance Sheet Arrangements

The Company does not have any off balance sheet arrangements.

Critical Accounting Policies

Mineral properties and exploration and evaluation expenditures

The Company's mineral project is currently in the exploration and evaluation phase. Mineral property acquisition costs are capitalized when incurred. Mineral property exploration costs are expensed as incurred. At such time that the Company determines that a mineral property can be economically developed, subsequent mineral property expenses will be capitalized during the development of such property.

The Company assesses interests in exploration properties for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. Impairment analysis includes assessment of the following circumstances: a significant decrease in the market price of a long-lived asset or asset group; a significant adverse change in the extent or manner in which a long-lived asset or asset group is being used or in its physical condition; a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset or asset group, including an adverse action or assessment by a regulator; an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset or asset group; a current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset or asset group; or a current expectation that, more likely than not, a long-lived asset or asset group will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. The term more likely than not refers to a level of likelihood that is more than 50%.

Stock-based compensation

The Company follows the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification Section 718 "Compensation - Stock Compensation", which establishes accounting for equity based compensation awards to be accounted for using the fair value method. The Company uses the Black-Scholes option pricing model to determine the grant date fair value of the awards. Compensation expense is measured at the grant date and recognized over the requisite service period, which is generally the vesting period.

Recently Adopted Accounting Policies

For a description of recently adopted accounting policies, please see Note 2 – *Summary Of Significant Accounting Policies* within our Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.