

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2014. All currency amounts are stated in US dollars unless noted otherwise.

### Current Business Activities

---

#### *Livengood Gold Project*

During the six months ended June 30, 2015 and to the date of this Quarterly Report on Form 10-Q, the Company progressed on its metallurgical, field and engineering work plan that was developed due to the potential importance of the head grade evaluation performed during 2014. A significant multi-phase metallurgical test work program is underway in an attempt to validate the observed higher calculated head grades. The objectives of the 2015 metallurgical test program are to:

- Optimize the gravity circuit;
- Optimize the grind size and power consumption;
- Optimize the reagent consumption;
- Optimize the leach retention time;
- Confirm the overall recoveries by rock type; and
- Provide additional confirmation of the Project head grades.

Review of the feasibility test work to date indicates that there is a potential that further optimization of the parameters noted above could result in capital and operating expenditure reductions for the Project. **However, until this multi-phase metallurgical program has been completed, there can be no assurance that the head grade differences observed to date, or the potential process optimizations and cost savings opportunities identified, will in fact be realized.**

Field work is in progress to advance the environmental baseline and to evaluate alternatives for fresh water supply with potential to reduce Project costs.

Once the test work and field work are completed and the process costs are better defined, these costs will then serve as input to an engineering phase that will evaluate and optimize the Project configuration and capital and operating expenditures, including determining the optimum scale for the Project, any of which may be different than that assumed in the technical report entitled "Canadian National Instrument 43-101 Technical Report on the Livengood Gold Project, Feasibility Study, Livengood, Alaska" dated September 4, 2013 and prepared by certain Qualified Persons under NI 43-101, as filed under the Company's profile on SEDAR (the "September 2013 Study"). In order to support the completion of this work plan, the Company anticipates spending approximately \$10 million, including general and administrative expenses, during the 2015 fiscal year ending December 31, 2015.

#### *Management Changes*

On May 11, 2015 the Company contracted with David Cross to serve as its Chief Financial Officer. Mr. Cross is a partner in the firm of Cross Davis & Company LLP, Chartered Professional Accountants, which has also been retained by the Company to provide corporate accounting support. Mr. Cross replaces Tom Yip who resigned as Chief Financial Officer effective December 31, 2014 and who was providing transitional financial services as a consultant to the Company since his resignation.

On March 26, 2015 the Company appointed Karl Hanneman as its Chief Operating Officer. Mr. Hanneman most recently has been serving as General Manager for the Company. Mr. Hanneman has been with the Company since May 2010, during which time he was responsible for assembling the Alaska team and served as the Livengood Gold Project Manager.

## Results of Operations

### Summary of Quarterly Results

Description	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
Net loss	\$ (2,048,868)	\$ (636,495)	\$ (1,654,469)	\$ (1,170,906)
Basic and diluted net loss per common share	\$ (0.02)	\$ (0.01)	\$ (0.02)	\$ (0.01)

  

	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013
Net loss	\$ (1,431,402)	\$ (3,510,319)	\$ (1,022,387)	\$ (4,124,761)
Basic and diluted net loss per common share	\$ (0.01)	\$ (0.04)	\$ (0.01)	\$ (0.04)

### Three Months Ended June 30, 2015 compared to Three Months Ended June 30, 2014

The Company incurred a net loss of \$2,048,868 for the three month period ended June 30, 2015, compared to a net loss of \$1,431,402 for the three month period ended June 30, 2014. The increase in net loss in the three months ended June 30, 2015 compared to the three months ended June 30, 2014 is mainly a factor of changes in noncash items between periods as further discussed below. The following discussion highlights certain selected financial information and changes in operations between the three months ended June 30, 2015 and the three months ended June 30, 2014.

Mineral property expenditures increased to \$828,212 for the three months ended June 30, 2015 from \$784,951 for the three months ended June 30, 2014 primarily due to the Company moving forward with a multi-phase metallurgical test work program partially offset by limiting field activities to continuation of critical environmental baseline work.

Share-based payment charges were \$92,279 during the three months ended June 30, 2015 compared to \$288,571 during the three months ended June 30, 2014. The decrease in share-based payment charges during the period was mainly the result of a reduction in the fair value of options granted during the current year and vesting of prior period grants.

#### Share-based payment charges

Share-based payment charges for the three month periods ended June 30, 2015 and 2014 were allocated as follows:

Expense category:	June 30, 2015	June 30, 2014
Consulting	\$ 22,180	\$ 67,908
Investor relations	4,883	11,751
Wages and benefits	65,216	208,912
	<u>\$ 92,279</u>	<u>\$ 288,571</u>

Share-based payments to consultants decreased from \$67,908 to \$22,180 as a result of a reduction in the fair value of options granted during the current year and vesting of prior period grants. Excluding share-based payments, consulting expenses increased to \$88,823 for the three months ended June 30, 2015 from \$60,773 for the three months ended June 30, 2014 as a result of consulting fees paid for Chief Financial Officer services during the current year.

Excluding share-based payment charges of \$65,216 and \$208,912 respectively, wages and benefits for the period decreased to \$529,000 during the three months ended June 30, 2015 from \$561,988 during the three months ended June 30, 2014 as a result of the resignation of the Company's former Chief Financial Officer effective December 31, 2014.

Most other expense categories reflected moderate decreases period over period reflecting the Company's efforts to reduce spending.

Total other expenses amounted to \$198,091 during the three month period ended June 30, 2015 compared to total other income of \$646,449 during the three month period ended June 30, 2014. Total other expense in the current period resulted mainly from an unrealized loss of \$0.1 million on the revaluation of the derivative liability at June 30, 2015 resulting from an increase in the historical and estimated future average price of gold, compared to an unrealized gain of \$0.8 million on the revaluation of the derivative liability during the prior period. In addition to the unrealized loss on the derivative liability, the Company incurred a foreign exchange loss of \$131,360 during the three month period ended June 30, 2015 compared to a loss of \$168,569 during the three month period ended June 30, 2014. The average exchange rate during the three month

period ended June 30, 2015 was C\$1 to US\$0.8132 compared to C\$1 to US\$0.9170 for the three month period ended June 30, 2014.

### ***Six Months Ended June 30, 2015 compared to Six Months Ended June 30, 2014***

The Company incurred a net loss of \$2,685,363 for the six month period ended June 30, 2015, compared to a net loss of \$4,941,721 for the six month period ended June 30, 2014. The following discussion highlights certain selected financial information and changes in operations between the six months ended June 30, 2015 and the six months ended June 30, 2014.

Mineral property expenditures decreased to \$1,229,542 for the six months ended June 30, 2015 from \$1,400,113 for the six months ended June 30, 2014 primarily due to the Company moving forward with a multi-phase metallurgical test work program and limiting field activities to continuation of critical environmental baseline. Professional fees for the six months ended June 30, 2015 decreased by \$109,234 from the six month period ended June 30, 2014 as the Company negotiated lower rates in 2015 for various third party-provided professional fees such as legal and accounting fees.

Share-based payment charges were \$361,991 during the six months ended June 30, 2015 compared to \$907,154 during the six months ended June 30, 2014. The decrease in share-based payment charges during the period was primarily the result of a reduction in the fair value of options granted during the period and vesting of prior option grants offset by forfeitures during 2014. The Company granted 2,135,200 options during the six months ended June 30, 2015 compared to 2,480,000 during the six months ended June 30, 2014.

#### Share-based payment charges

Share-based payment charges for the six month periods ended June 30, 2015 and 2014 were allocated as follows:

<b>Expense category:</b>	<b>June 30, 2015</b>	<b>June 30, 2014</b>
Consulting	\$ 74,065	\$ 3,825
Investor relations	18,039	53,149
Wages and benefits	269,887	850,180
	<u>\$ 361,991</u>	<u>\$ 907,154</u>

Share-based payments to consultants increased from \$3,825 to \$74,065 as a result of forfeitures during 2014 offset by a reduction in the fair value of options granted during the current year and vesting of prior period grants. Excluding share-based payments, consulting expenses increased to \$184,307 for the six months ended June 30, 2015 from \$114,465 for the six months ended June 30, 2014 as a result of consulting fees paid for Chief Financial Officer services during the current year.

Excluding share-based payment charges of \$269,887 and \$850,180, respectively, wages and benefits decreased to \$1,034,906 during the six months ended June 30, 2015 from \$1,169,375 during the six months ended June 30, 2014 as a result of the resignation of the Company's Chief Financial Officer effective December 31, 2014.

All other expense categories reflected moderate decreases period over period reflecting the Company's efforts to reduce spending.

Total other income amounted to \$720,520 during the six month period ended June 30, 2015 compared to total other expense of \$552,621 during the six month period ended June 30, 2014. Total other income in the current period resulted mainly from a foreign exchange gain of \$570,895 during the six month period ended June 30, 2015 compared to a gain of \$115,560 during the six month period ended June 30, 2014. The average exchange rate during the six month period ended June 30, 2015 was C\$1 to US\$0.8095 compared to C\$1 to US\$0.9120 for the six month period ended June 30, 2014. In addition to the unrealized gain from foreign exchange, the Company incurred an unrealized gain of \$0.1 million on the revaluation of the derivative liability at June 30, 2015 resulting from a decrease in the calculated average price of gold, compared to an unrealized loss of \$0.7 million on the revaluation of the derivative liability during the prior period which resulted from an increase in the calculated average price of gold

### **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 June 30, 2015, the Company reported cash and cash equivalents of \$9,530,403 compared to \$13,521,473 at December 31, 2014. The decrease of approximately \$4.0 million resulted mainly from expenditures on the Livengood Gold Project of approximately \$2.8 million, severance payments of approximately \$0.4 million and a negative foreign currency translation impact of approximately \$0.8 million. The Company continues to utilize its cash resources to pursue opportunities identified in the September 2013 Study and subsequently identified by the Company, to fund environmental activities required for preservation of baseline database and future permitting as well as to complete corporate administrative requirements.

The Company had no cash flows from investing activities during the six month period ended June 30, 2015. Investing activities during the six month period ended June 30, 2014 comprised of solely the transfer of restricted cash to capitalized acquisition costs for land acquisitions that closed in January 2014.

The Company had no cash flows from financing activities during the six month periods ended June 30, 2015 and 2014.

As at June 30, 2015 the Company had working capital of \$9,349,626 compared to working capital of \$12,614,361 at December 31, 2014. 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 2015 work plan at the Livengood Gold Project and satisfy its currently anticipated general and administrative costs, through the 2015 fiscal year and into the second quarter of 2016. To advance the Livengood Gold Project towards permitting and development, the Company anticipates maintaining certain essential development activities for the fiscal year ending December 31, 2015. These essential activities include maintaining environmental baseline data that in its absence could materially delay future permitting of the Livengood Gold Project. Due to the potential importance of the 2014 head grade evaluation to the Project, a significant multi-phase metallurgical test work program has begun in an attempt to validate the observed higher calculated head grades. The Company anticipates spending approximately \$10 million during fiscal year 2015 on metallurgical work and project engineering as well as to maintain the environmental baseline activity, and perform required general and administrative duties. As at June 30, 2015 the Company had spent \$3.1 million of the planned 2015 expenditures.

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, the contingent payment due in January 2017 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.

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." disclosed in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2014. 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 2015 fiscal year.

Other than cash held by its subsidiaries for their immediate operating needs in Alaska and Colorado, 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

The following table discloses, as of June 30, 2015, the Company's contractual obligations including anticipated mineral property payments and work commitments and committed office and equipment lease obligations. 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 such payments or incur 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						Total
	2015	2016	2017	2018	2019	2020 and beyond	
Livengood Property Purchase <sup>(1)</sup>	\$ -	\$ -	\$ 14,600,000	\$ -	\$ -	\$ -	\$ 14,600,000
Mineral Property Leases <sup>(2)</sup>	-	416,872	421,850	426,902	437,031	442,236	2,144,891
Mining Claim Government Fees	-	132,040	132,040	132,040	132,040	132,040	660,200
Office and Equipment Lease Obligations	71,568	-	-	-	-	-	71,568
<b>Total</b>	<b>\$ 71,568</b>	<b>\$ 548,912</b>	<b>\$ 15,153,890</b>	<b>\$ 558,942</b>	<b>\$ 569,071</b>	<b>\$ 574,276</b>	<b>\$ 17,476,659</b>

1. The amount payable in January 2017 of \$14,600,000 represents the fair value of the Company's derivative liability as at June 30, 2015 and will be revalued at each subsequent reporting period.
2. Does not include required work expenditures, as it is assumed that the required expenditure level is significantly below the work for which will actually be carried out by the Company. Does not include potential royalties that may be payable (other than annual minimum royalty payments).

## Other – Related Party Transactions

In December 2011, in accordance with a Stock and Asset Purchase Agreement (the "Agreement") between the Company, Alaska/Nevada Gold Mines, Ltd. ("AN Gold Mines") and the Heflinger Group, the Company acquired certain mining claims and related rights in the vicinity of the Livengood Gold Project located near Fairbanks, Alaska. The Company's derivative liability, as described in Note 6 of the financial statements for the period ended June 30, 2015, represents the remaining consideration for the purchase of these claims and related rights and is payable in January 2017. Under the Agreement, the payment is due 70% to AN Gold Mines and 30% to the Heflinger Group.

Mr. Karl Hanneman was appointed Chief Operating Officer of the Company on March 26, 2015. Mr. Hanneman is a partner of the general partner, as well as a limited partner, of AN Gold Mines and holds an 11.9% net interest in AN Gold Mines. Mr. Hanneman's interest in AN Gold Mines dates to the 1980's and pre-dates the Company's interest in the Livengood Gold Project, pre-dates his May 2010 employment with the Company, and was disclosed to the Company prior to his employment. Because of Mr. Hanneman's interest in the derivative liability, the Company has excluded and will continue to exclude Mr. Hanneman from participating in any discussions, calculations or other matters related to the derivative liability on behalf of the Company, and any future agreements or arrangements related to the derivative liability will be subject to the prior review and approval of the Company's Audit Committee in accordance with the Company's policies for related party transactions.

**Off-Balance Sheet Arrangements**

The Company does not have any off balance sheet arrangements.

**Environmental Regulations**

The operations of the Company may in the future be affected from time to time in varying degrees by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable. The Company's policy is to meet or, if possible, surpass standards set by relevant legislation by application of technically proven and economically feasible measures.

**Certain U.S. Federal Income Tax Considerations for U.S. Holders**

The Company has been a "passive foreign investment company" ("PFIC") for U.S. federal income tax purposes in recent years and expects to continue to be a PFIC in the future. Current and prospective U.S. shareholders should consult their tax advisors as to the tax consequences of PFIC classification and the U.S. federal tax treatment of PFICs. Additional information on this matter is included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014, under "Part II. Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities - Certain U.S. Federal Income Tax Considerations for U.S. Holders."

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The Company has exposure to market risk in areas of interest rate risk, foreign currency exchange rate risk, concentration of credit risk and other price risk.

#### ***Interest Rate Risk***

Interest rate risk consists of the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's cash and cash equivalents consists of cash and cash equivalents held in bank accounts in the United States and Canada and short term deposit certificates or Guaranteed Investment Certificates with a major Canadian financial institution that earn interest at variable interest rates. Future cash flows from interest income on cash and cash equivalents will be affected by interest rate fluctuations. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values.

At June 30, 2015, the Company held a total of \$9,530,403 in cash and cash equivalents which consist of interest saving accounts and Guaranteed Investment Certificates.

The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. The Company's sensitivity analysis suggests that a 0.5% change in interest rates would affect interest income by approximately \$50,000.

#### ***Foreign Currency Risk***

The Company is exposed to foreign currency risk to the extent that certain monetary financial instruments and other assets are denominated in Canadian dollars. As the majority of the Company's assets are denominated in U.S. dollars, currency risk is limited to those Canadian cash balances. The Company has not entered into any foreign currency contracts to mitigate this risk. Over the past twelve months, the U.S. to Canadian dollar exchange rate has fluctuated as much as 15%. The Company's sensitivity analysis suggests that a consistent 15% change in the absolute rate of exchange for the Canadian dollar would affect net assets by approximately \$535,000. Furthermore, depending on the amount of cash held by the Company in Canadian dollars at the end of each reporting period using the period end exchange rate, significant changes in the exchange rates could cause significant changes to the currency translation amounts recorded to accumulated other comprehensive income.

As at June 30, 2015, Canadian dollar balances were converted at a rate of C\$1 to \$0.8017.

#### ***Credit Risk***

Concentration of credit risk exists with respect to the Company's cash and cash equivalents as all amounts are held at one major Canadian financial institution. Credit risk with regard to cash held in the United States at U.S. subsidiaries is mitigated as the amount held in the United States is only sufficient to cover short-term cash requirements. With respect to receivables at June 30, 2015, the Company is not exposed to significant credit risk as the receivables are principally interest accruals.

#### ***Other Price Risk***

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign exchange risk. The Company's investment in marketable securities is exposed to such risk. The Company's derivative liability, which consists of a future contingent payment valued using estimated future gold prices, is also exposed to other price risk. See Note 6 of the notes to the unaudited condensed consolidated interim financial statements for the period ended June 30, 2015. The fair value of this liability will fluctuate with the average daily price of gold as well as with future projections for the average price of gold over the life of the obligation. For every dollar change in the average daily price of gold, the value of the derivative liability will change by \$23,148.

## **ITEM 4. CONTROLS AND PROCEDURES**

### **Disclosure Controls and Procedures**

As of June 30, 2015, an evaluation was carried out under the supervision of and with the participation of the Company's management, including the Chief Executive Officer (the principal executive officer) and Chief Financial Officer (the principal financial officer and accounting officer), of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Based on the evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of June 30, 2015, the Company's disclosure controls and procedures were effective in ensuring that information required to be disclosed in reports filed or submitted to the SEC under the Exchange Act: (i) is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and (ii) accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, in a manner that allows for timely decisions regarding required disclosures.

The effectiveness of our or any system of disclosure controls and procedures, however well designed and operated, can provide only reasonable assurance that the objectives of the system will be met and is subject to certain limitations, including the exercise of judgement in designing, implementing and evaluating controls and procedures and the assumptions used in identifying the likelihood of future events.

### **Changes in Internal Control over Financial Reporting**

There were no changes in internal control over financial reporting during the quarter ended June 30, 2015 that have materially, or are reasonably likely to materially affect, the Company's internal control over financial reporting.