

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, 2015. All currency amounts are stated in US dollars unless noted otherwise.

Current Business Activities

Livengood Gold Project

During the three months ended March 31, 2016 and to the date of this Quarterly Report on Form 10-Q, the Company progressed on a number of opportunities identified in the September 2013 Study and opportunities subsequently developed by the Company with the potential for optimization and reducing the costs of building and operating a mine at the Project.

The engineering firm of BBA Inc., based in Montreal, is in the process of evaluating engineering and metallurgical results and proceeding with the "Throughput Rationalization Study" that is scheduled to be completed in 2016.

The Company has sufficient funds to complete the test programs and engineering work underway.

Results of Operations

Summary of Quarterly Results

Description	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015
Net loss	\$ (2,487,456)	\$ (1,119,972)	\$ (1,007,489)	\$ (2,048,868)
Basic and diluted net loss per common share	\$ (0.02)	\$ (0.01)	\$ (0.01)	\$ (0.02)

	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
Net loss	\$ (636,495)	\$ (1,654,469)	\$ (1,170,906)	\$ (1,431,402)
Basic and diluted net loss per common share	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.01)

Three Months Ended March 31, 2016 compared to Three Months Ended March 31, 2015

The Company incurred a net loss of \$2,487,456 for the three month period ended March 31, 2016, compared to a net loss of \$636,495 for the three month period ended March 31, 2015.

Mineral property expenditures increased \$395,175 for the three months ended March 31, 2016 from \$401,330 for the three months ended March 31, 2015 primarily due to the Company continuing a multi-phase metallurgical test work program, the cost of which was partially offset by limiting field activities to the continuation of critical environmental baseline work.

Consulting and professional fees were \$116,024 for the three months ended March 31, 2016 compared to \$197,516 for the three months ended March 31, 2015. The decrease of \$81,492 is primarily due to the Company negotiating lower rates for various third party-provided professional fees such as legal and accounting fees.

Share-based payment charges

Share-based payment charges for the three month periods ended March 31, 2016 and 2015 were allocated as follows:

Expense category:	March 31, 2016	March 31, 2015
Consulting	\$ 14,566	\$ 51,885
Investor relations	3,482	13,156
Wages and benefits	42,603	204,671
	\$ 60,651	\$ 269,712

Share-based payment charges were \$60,651 during the three months ended March 31, 2016 compared to \$269,712 during the three months ended March 31, 2015. The decrease of \$209,061 in share-based payment charges during the period was mainly the result of a reduction in the fair value of options granted in 2015 as compared to 2014.

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

Other items amounted to a loss of \$817,042 during the three month period ended March 31, 2016 compared to a gain of \$918,611 during the three month period ended March 31, 2015. Total other loss resulted from the unrealized loss on the revaluation of the derivative liability of \$700,000. This unrealized loss was caused by the increase in the price per ounce of gold during the three month period ended March 31, 2016 and is compared to an unrealized gain of \$200,000 during the three month period ended March 31, 2015. In addition to the unrealized loss on the derivative liability, the Company had a foreign exchange loss of \$123,862 during the three month period ended March 31, 2016 compared to a gain of \$702,255 during the three month period ended March 31, 2015 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 three month period ended March 31, 2016 was C\$1 to US\$0.7282 compared to C\$1 to US\$0.8065 for the three month period ended March 31, 2015.

Liquidity Risk 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 March 31, 2016, the Company had cash and cash equivalents of \$5,090,572 compared to \$6,493,486 at December 31, 2015. The decrease of approximately \$1.4 million resulted mainly from expenditures on the Livengood Gold Project of approximately \$1.7 million and a positive foreign currency translation impact of approximately \$0.3 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 or financing activities during the three month periods ended March 31, 2016 and 2015.

As at March 31, 2016, the Company had a working capital deficit of \$9,857,247 compared to working capital of \$6,169,233 at December 31, 2015. The negative working capital is mainly the result of the reclassification of the contingent derivative payment to a current liability. 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 2016 work plan at the Livengood Gold Project and satisfy its currently anticipated general and administrative costs through the 2016 fiscal year. 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, 2016. These essential activities include maintaining environmental baseline data that in its absence could materially delay future permitting of the Livengood Gold Project.

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. As at March 31, 2016, the Company's estimate of the amount of the contingent payment is \$14,600,000. This contingent payment, which is due in January 2017, significantly exceeds the Company's available cash resources, and therefore the Company will be required to secure significant additional financing on or before January 2017 in order to be able to make this payment. See Note 1 of the notes to the unaudited condensed consolidated interim financial statements for the period ended March 31, 2016. 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.

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 2016 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

The following table discloses, as of March 31, 2016, 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 expenditure, 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 in Calendar Year						
	2016	2017	2018	2019	2020	2021 and beyond	Total
Livengood Property Purchase ⁽¹⁾	\$ -	\$ 14,600,000	\$ -	\$ -	\$ -	\$ -	\$ 14,600,000
Mineral Property Leases ⁽²⁾	381,872	421,850	426,903	432,032	442,237	447,521	2,552,415
Mining Claim Government Fees	114,445	114,445	114,445	114,445	114,445	114,445	686,670
Total	\$ 496,317	\$ 15,136,295	\$ 541,348	\$ 546,477	\$ 556,682	\$ 561,966	\$ 17,839,085

1. The amount payable on January 12, 2017 of \$14,600,000 represents the fair value of the Company’s derivative liability as at March 31, 2016 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 level of work that 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 March 31, 2016, 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. 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.

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, 2015, 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

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of March 31, 2016, an evaluation was carried out under the supervision of and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial 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 March 31, 2016, 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 March 31, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.