

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

General

During the nine months ended September 30, 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.

Livengood Gold Project – Pre-feasibility Study Results

The Company announced the results of a Pre-feasibility Study ("2016 PFS") on September 8, 2016. On October 24, 2016, the Company filed a technical report on SEDAR that summarizes the results of the 2016 PFS on the Livengood Gold Project. The technical report is entitled "NI 43-101 Technical Report Pre-feasibility Study of the Livengood Gold Project, Livengood, Alaska," dated September 8, 2016 and signed October 24, 2016. The Report is based on an updated resource estimate effective as of August 26, 2016 and has an optimized Project configuration and throughput of 52,600 t/d (47,700 mt/d) compared to the 100,000 t/d (90,700 mt/d) Project evaluated in the September 2013 Feasibility Study. Using the trailing three year gold price of \$1,250 per ounce, the Project generates a negative project NPV of \$-552M at a 5% discount rate and an IRR of 0.5% after mining and income taxes.

As a result of the changes to the Project as evaluated in the 2016 PFS, the original project as evaluated in the September 2013 Study is no longer considered current and investors should no longer rely upon the September 2013 Study. The Company cautions that the 2016 PFS is preliminary in nature, and is based on technical and economic assumptions which would be further refined and evaluated in a full feasibility study. There can be no certainty that the results estimated in the 2016 PFS will be realized.

Next Steps and Opportunities

The 2016 PFS identified additional optimization opportunities with the potential to improve recovery or further reduce costs, either of which could result in improvement to the Project. Subject to available financing, these opportunities will be pursued to better define overall project economics prior to initiation of a full feasibility study. These opportunities include improvements to the project geologic models to better support metallurgical modelling, development of a grade-shell resource model with the potential to support a mine production schedule with improved economics, and continuing to advance metallurgical test work to optimize the flowsheet and evaluate whether recovery can be improved. Environmental work will continue in order to support project development and maintain continuity of baseline information.

It is estimated that the optimization studies and supporting field work would cost approximately \$6.3M.

Results of Operations

Summary of Quarterly Results

Description	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
Net loss	\$ (1,524,589)	\$ (2,068,850)	\$ (2,487,456)	\$ (1,119,972)
Basic and diluted net loss per common share	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.01)

	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014
Net loss	\$ (1,007,489)	\$ (2,048,868)	\$ (636,495)	\$ (1,654,469)
Basic and diluted net loss per common share	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.02)

Three Months Ended September 30, 2016 compared to Three Months Ended September 30, 2015

The Company incurred a net loss of \$1,524,589 for the three month period ended September 30, 2016, compared to a net loss of \$1,007,489 for the three month period ended September 30, 2015.

Mineral property expenditures decreased \$199,360 to \$528,117 for the three months ended September 30, 2016 from \$727,477 for the three months ended September 30, 2015 primarily due to the Company nearing completion of the planned multi-phase metallurgical test work program and limiting field activities to continuation of critical environmental baseline studies.

Excluding share-based payment charges of \$11,757 and \$61,943, respectively, wages and benefits for the three months ended September 30, 2016 decreased to \$526,115 from \$595,971 for the three months ended September 30, 2015 primarily due to a staffing reduction and severance payment related to the Colorado office closure.

Consulting fees were \$63,973 for the three months ended September 30, 2016 compared to \$82,091 for the three months ended September 30, 2015. The decrease of \$18,118 is primarily due to lower share-based payment charges.

Share-based payment charges

Share-based payment charges for the three month periods ended September 30, 2016 and 2015 were allocated as follows:

Expense category:	September 30, 2016	September 30, 2015
Consulting	\$ 3,467	\$ 19,738
Investor relations	1,069	4,638
Wages and benefits	11,757	61,943
	\$ 16,293	\$ 86,319

Share-based payment charges were \$16,293 during the three months ended September 30, 2016 compared to \$86,319 during the three months ended September 30, 2015. The decrease of \$70,026 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 \$91,386 during the three month period ended September 30, 2016 compared to a gain of \$741,725 during the three month period ended September 30, 2015. Total other loss resulted from the unrealized loss on the revaluation of the derivative liability of \$100,000. This unrealized loss was caused by the increase in the price per ounce of gold during the three month period ended September 30, 2016 and is compared to an unrealized gain of \$400,000 during the three month period ended September 30, 2015. The Company had a foreign exchange loss of \$3,020 during the three month period ended September 30, 2016 compared to a gain of \$334,228 during the three month period ended September 30, 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 September 30, 2016 was C\$1 to US\$0.7663 compared to C\$1 to US\$0.7640 for the three month period ended September 30, 2015.

Nine Months Ended September 30, 2016 compared to Nine Months Ended September 30, 2015

The Company incurred a net loss of \$6,080,895 for the nine month period ended September 30, 2016, compared to a net loss of \$3,692,852 for the nine month period ended September 30, 2015.

Mineral property expenditures increased \$547,265 to \$2,504,284 for the nine months ended September 30, 2016 from \$1,957,019 for the nine months ended September 30, 2015 primarily due to the Company moving forward with the planned multi-phase metallurgical test work program, partially offset by limiting field activities to continuation of critical environmental baseline studies. Consulting and professional fees for the nine months ended September 30, 2016 decreased by \$173,981 to \$355,667 from the nine month period ended September 30, 2015 as the Company negotiated lower rates in 2016 for various third party-provided professional fees such as legal and accounting fees.

Excluding share-based payment charges of \$65,410 and \$331,831, respectively, wages and benefits for the nine months ended September 30, 2016 decreased to \$1,564,625 from \$1,630,877 for the nine months ended September 30, 2015 primarily due to a staffing reduction and severance payment related to the Colorado office closure

Share-based payment charges

Share-based payment charges for the nine month periods ended September 30, 2016 and 2015 were allocated as follows:

Expense category:	September 30, 2016	September 30, 2015
Consulting	\$ 21,621	\$ 93,802
Investor relations	5,556	22,677
Wages and benefits	65,410	331,831
	\$ 92,587	\$ 448,310

Share-based payment charges were \$92,587 during the nine months ended September 30, 2016 compared to \$448,310 during the nine months ended September 30, 2015. The decrease of \$355,723 in share-based payment charges during the period was primarily the result of a reduction in the fair value of options granted in 2015 as compared to 2014. The Company granted no options during the nine months ended September 30, 2016 compared to 2,135,200 during the nine months ended September 30, 2015.

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

Other items amounted to a loss of \$969,655 during the nine month period ended September 30, 2016 compared to a gain of \$1,462,245 during the nine month period ended September 30, 2015. Total other loss resulted from the unrealized loss on the revaluation of the derivative liability of \$900,000. This unrealized loss was caused by the increase in the price per ounce of gold during the nine month period ended September 30, 2016 and is compared to an unrealized gain of \$500,000 during the nine month period ended September 30, 2015. The Company had a foreign exchange loss of \$124,784 during the nine month period ended September 30, 2016 compared to a foreign exchange gain of \$905,123 during the nine month period ended September 30, 2015. The average exchange rate during the nine month period ended September 30, 2016 was C\$1 to US\$0.7565 compared to C\$1 to US\$0.7936 for the nine month period ended September 30, 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 September 30, 2016, the Company had cash and cash equivalents of \$1,759,123 compared to \$6,493,486 at December 31, 2015. The decrease of approximately \$4.7 million resulted mainly from expenditures on the Livengood Gold Project of approximately \$5.0 million offset by a positive foreign currency translation impact of approximately \$0.3 million.

Financing activities during the nine month period ended September 30, 2016 provided \$15,404 on the issuance of common shares as a result of the exercise of stock options. The Company had no cash flows from financing activities during the nine month period ended September 30, 2015.

The Company had no cash flows from investing activities during the nine month periods ended September 30, 2016 and 2015.

As at September 30, 2016, the Company had a working capital deficit of \$13,367,057 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. 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.

Management's intent is to secure additional financing if market conditions warrant, or possibly enter into a strategic alliance to continue its operations (including general and administrative expenses) in connection with advancing activities at the Livengood Gold Project, making 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. Although past performance does not dictate future results, the Company has been successful in raising capital in the past.

There is no assurance that the Company will be able to obtain the additional financing required on acceptable terms, if at all.

As at September 30, 2016, the Company's estimate of the amount of the contingent payment is \$14,800,000. 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 September 30, 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" in Part I, Item 1A, Risk Factors, of our Annual Report on Form 10-K for the year ended December 31, 2015. Even if the Company is able to secure some additional equity financing, the Company may be unable to raise enough capital to both make the contingent payment and continue its operations in connection with advancing all activities at the Livengood Gold Project into 2017 and beyond. 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 sufficient additional financing, it may be unable to make the contingent payment when due, and the Company may be required to reduce all discretionary activities at the Project to preserve its working capital to fund anticipated non-discretionary expenditures for the remainder of 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 September 30, 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⁾	\$ -	\$ 14,800,000	\$ -	\$ -	\$ -	\$ -	\$ 14,800,000
Mineral Property Leases ⁽²⁾	-	421,850	426,903	432,032	442,237	447,521	2,170,543
Mining Claim Government Fees	-	114,925	114,925	114,925	114,925	114,925	574,625
Total	\$ -	\$ 15,336,775	\$ 541,828	\$ 546,957	\$ 557,162	\$ 562,446	\$ 17,545,168

1. The amount payable on January 12, 2017 of \$14,800,000 represents the fair value of the Company's derivative liability as at September 30, 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 September 30, 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 September 30, 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 September 30, 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 September 30, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.