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, 2015 and to the date of this Annual Report on Form 10-K, 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.

2015

Management Changes

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.

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 subsequently provided transitional financial services up to May 31, 2015 as a consultant to the Company.

Field Work

Field work was completed to evaluate possible alternatives for the required fresh water supply with the potential to reduce Project costs. A 30 day pump test confirmed the presence of a large aquifer at the Project that is capable of supplying water for the mill at what is expected to be a much reduced capital cost as compared to that incorporated into the September 2013 Study. The Company also continued to advance environmental baseline work in support of future permitting in order to better position the Project for a potential construction decision when warranted by market conditions.

Metallurgical Review

A significant multi-phase metallurgical test work program was initiated in an attempt to validate the observed higher calculated head grades on the Project and to accomplish the following objectives:

- Optimize the gravity circuit
- Optimize the grind size and power consumption
- Optimize the reagent consumption
- Optimize the leach retention time
- Confirm overall recoveries by rock type

This test program has involved laboratories at SGS Vancouver, SGS Lakefield, SGS Quebec City, FLSmidth Salt Lake, CRC ORE Australia, and AMIRA Australia. While the work is still ongoing, and therefore no conclusions have been reached, substantial progress has been achieved toward the stated objectives and to ensure that the flow sheet OPEX and CAPEX are optimized.

Third Party Audit

As the Company's 2015 work program progressed, a decision was made to retain the engineering firm of BBA Inc., based in Montreal, to provide oversight on the metallurgical test program and to conduct a Value Engineering Review of the September 2013 Study and all information developed by the Company subsequent to the 2013 Study. BBA was directly involved in engineering at both the Osisko and Detour Gold mines, and as a result has considerable relevant recent experience with large scale surface gold mines in arctic conditions. After completing their review of the Project, BBA advised the Company that their high-level throughput rationalization exercise demonstrated that the overall mining scheme and operating cash flows can be improved with an appropriate elevated cut-off grade strategy and reduced stripping ratio in the early years of mining, lower throughput (lower than the September 2013 90,000 tpd) and a more compact site layout. BBA therefore recommended additional work to confirm the results of their preliminary work on the Project.

2016 Outlook

2016 Metallurgical and Engineering Work Plan

Based on the findings of the BBA Value Engineering Review, in October 2015 the Company engaged BBA to expand their analysis and complete a more detailed Throughput Rationalization Study that should be completed in 2016. The scope of this contract includes the selection of final economic grind size, completion of test work to optimize gold recovery and reagent consumption, carrying out grinding circuit simulations with and without secondary crushing and drill/blast fragmentation, reviewing the trade-off study on tailings management strategies, reviewing the benefits of secondary heat to lower power costs, and finalizing the process flowsheet.

In addition, NewFields Engineering (Denver) has been engaged to provide geotechnical engineering and to complete a trade-off study on tailings management strategies. Metal Mining Consultants (Denver) has been engaged to integrate updated unit costs into the production schedule optimization. The result of this work will be integrated into the BBA study.

Ongoing metallurgical test work continues at SGS Vancouver, SGS Lakefield, and AMIRA-Australia. The metallurgical programs currently underway are scheduled to be completed by the end of the second quarter 2016. Depending upon the results, additional phases of test work may be added as appropriate. The objectives of the metallurgical test work remain to optimize the process flow sheet, including grind, recovery and leach time, and power and reagent consumption.

A review of the test work to date indicates that the potential continues for further optimization of the parameters noted above to result in CAPEX and OPEX 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**.

Once the presently ongoing and planned test work and field work is completed and the process costs are better defined, these costs would then serve as input to the BBA study that will evaluate and optimize the Project configuration and the associated CAPEX and OPEX, including determining the optimum scale for the Project, any of which may be different than that assumed in the September 2013 Study.

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

Results of Operations

Summary of Quarterly Results

Description	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Net loss	$ (1,119,972)	$ (1,007,489)	$ (2,048,868)	$ (636,495)
Basic and diluted net loss per common share	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.01)

	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Net loss	$ (1,654,469)	$ (1,170,906)	$ (1,431,402)	$ (3,510,319)
Basic and diluted net loss per common share	$ (0.02)	$ (0.01)	$ (0.01)	$ (0.04)

Significant fluctuations in the Company's quarterly net loss have mainly been the result of changes in operating costs and the valuation of the Company's derivative liability. The fluctuation in the derivative liability is caused by changes in the price of gold during the period along with the expected price of gold through the term of the derivative liability which is payable in January 2017. The following table presents the unrealized gain or loss on the valuation of the derivative for each quarterly period during the years ended December 31, 2015 and 2014:

Three months ended:	2015 Unrealized Gain/(Loss)	2014 Unrealized Gain/(Loss)
March 31	$ 200,000	$ (1,500,000)
June 30	$ (100,000)	$ 800,000
September 30	$ 400,000	$ 400,000
December 31	$ 300,000	$ 400,000

Year ended December 31, 2015 compared to Year ended December 31, 2014

The Company had cash and cash equivalents of $6,493,486 at December 31, 2015 compared to $13,521,473 at December 31, 2014. The Company incurred a net loss of $4,812,824 for the year ended December 31, 2015, compared to a net loss of $7,767,096 for the year ended December 31, 2014. The following discussion highlights certain selected financial information and changes in operations between the year ended December 31, 2015 and the year ended December 31, 2014.

Mineral property expenditures were $2,381,868 for the year ended December 31, 2015 compared to $2,631,974 for the year ended December 31, 2014. The decrease of $250,106 is due to limiting field activities to the continuation of critical environmental baseline work while moving forward with a multi-phase metallurgical test work program.

Professional fees were $230,227 for the year ended December 31, 2015 compared to $389,218 for the year ended December 31, 2014. The decrease of $158,991 is primarily due to the Company negotiating lower rates in 2015 for various third party-provided professional fees such as legal and accounting fees.

Share-based payment charges were $540,468 during the year ended December 31, 2015 compared to $1,285,385 during the year ended December 31, 2014. The decrease in share-based payment charges during the period was mainly the result of more stock option granted in 2014 as compared to 2015 and a lower fair value of options in 2015. The Company granted 2,135,200 options during the year ended December 31, 2015 compared to 2,480,000 options during the year ended December 31, 2014. At December 31, 2015 there was unrecognized compensation expense of $118,980 related to non-vested options outstanding. The cost is expected to be recognized over a weighted-average remaining period of approximately 0.82 years.

Share based payment charges were allocated as follows:

Expense category:	Year ended December 31, 2015	Year ended December 31, 2014
Consulting	$ 113,150	$ 91,584
Investor relations	27,223	67,923
Wages and benefits	400,095	1,125,878
	$ 540,468	$ 1,285,385

Excluding share-based payment charges of $400,095 and $1,125,878, respectively, wages and benefits decreased to $2,159,515 for the year ended December 31, 2015 from $2,820,873 for the year ended December 31, 2014. A decrease in severance expense of approximately $285,000 from 2014 to 2015 along with decreased personnel as a result of the resignation of the Company's Chief Financial Officer effective December 31, 2014 and the closure of the Colorado office during 2015 contributed to lower wages and benefits expenses.

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

Other items amounted to other income of $1,637,352 during the year ended December 31, 2015 compared to other income of $606,192 in the year ended December 31, 2014. Total other income in 2015 resulted from the unrealized gain on the revaluation of the derivative liability of $800,000. This unrealized gain was caused by the further decrease in the price per ounce of gold during 2015 and is compared to an unrealized gain of $100,000 during 2014 which resulted from a lesser decrease in the price of gold during 2014. In addition to the unrealized gain on the derivative liability, the Company had a foreign exchange gain of $990,690 during the year ended December 31, 2015 compared to a gain of $453,161 during the year ended December 31, 2014 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, 2015 was C$1 to US$0.7820 compared to C$1 to US$0.9054 for the year ended December 31, 2014.

The increase in other income was partially offset by a loss of $219,402 related to the other than temporary impairment of certain available-for-sale securities during the year ended December 31, 2015. The available-for-sale securities were deemed to be other than temporarily impaired based on the fair market value of the securities combined with a continued lack of liquidity.

Year ended December 31, 2014 compared to Year ended December 31, 2013

The Company had cash and cash equivalents of $13,521,473 at December 31, 2014 compared to $13,925,601 at December 31, 2013. The Company incurred a net loss of $7,767,096 for the year ended December 31, 2014, compared to a net loss of $9,852,480 for the year ended December 31, 2013. The following discussion highlights certain selected financial information and changes in operations between the year ended December 31, 2014 and the year ended December 31, 2013.

Mineral property exploration expenses for the year ended December 31, 2014 totaled $2,631,974. During the year ended December 31, 2013 total mineral property exploration expenses were $8,188,995. Mineral property expenses during 2014 were comprised of costs related to environmental baseline data gathering, land maintenance payments and process engineering and metallurgical studies performed to progress the identified opportunities of the Project. Mineral property expenses during 2013 were comprised of costs related to process engineering and metallurgical studies performed to support the completion and filing of the September 2013 Study and environmental baseline data gathering.

Share-based payment charges were $1,285,385 during the year ended December 31, 2014 compared to $3,564,273 during the year ended December 31, 2013. The decrease in share-based payment charges during the period was mainly the result of stock option grants in 2014 at a lower fair value, cancellation of certain options during 2014 and vesting of prior stock option grants during 2013. The Company granted 2,480,000 options during the year ended December 31, 2014 compared to 613,000 options during the year ended December 31, 2013. At December 31, 2014 there was unrecognized compensation expense of $266,229 related to non-vested options outstanding. The cost is expected to be recognized over a weighted-average remaining period of approximately 0.93 years.

Share based payment charges were allocated as follows:

Expense category:	**Year ended December 31, 2014**	**Year ended December 31, 2013**
Consulting	$ 91,584	$ 1,030,439
Investor relations	67,923	40,935
Wages and benefits	1,125,878	2,492,899
	$ 1,285,385	$ 3,564,273

Excluding share-based payment charges of $1,125,878 and $2,492,899, respectively, wages and benefits decreased to $2,820,873 for the year ended December 31, 2014 from $4,370,814 for the year ended December 31, 2013. A decrease in severance expense of approximately $230,000 from 2013 to 2014 along with decreased personnel during the year ended December 31, 2014 contributed to lower wages and benefits expenses. At December 31, 2013 the Company reduced its full time staff by approximately 30%.

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

Other items amounted to income of $606,192 during the year ended December 31, 2014 compared to income of $8,322,291 in the year ended December 31, 2013. Total other income in 2014 resulted from the unrealized gain on the revaluation of the derivative liability of $100,000. This unrealized gain was caused by the decrease in the price per ounce of gold during 2014 and is compared to a gain of $7,600,000 during 2013 which resulted from a greater decrease in the price of gold during 2013. In addition to the unrealized gain on the derivative liability, the Company had a foreign exchange gain of $453,161 during the year ended December 31, 2014 compared to a gain of $917,301 during the year ended December 31, 2013 as a result of the impact of exchange rates on certain of the Company's U.S. dollar cash balances. Total other income in 2013 was partially offset by a loss of $298,769 related to the other than temporary impairment of certain available-for-sale securities. The available-for-sale securities were deemed to be other than temporarily impaired based on the fair market value of the securities combined with a continued lack of liquidity.

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, 2015, the Company reported cash and cash equivalents of $6,493,486 compared to $13,521,473 at December 31, 2014. The decrease of approximately $7.0 million resulted mainly from expenditures on the Livengood Gold Project of approximately $5.0 million, severance payments of approximately $0.4 million, and a negative foreign currency translation impact of approximately $1.6 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 year ended December 31, 2015. Investing activities during the year ended December 31, 2014 comprised of solely the transfer of restricted cash to capitalized acquisition costs for land acquisitions that closed in January 2014. Investing activity during the year ended December 31, 2013 was for the increase in restricted cash related to cash in escrow for the land acquisitions closed during January 2014.

The Company had no cash flows from financing activities during the year ended December 31, 2015. Financing activities during the year ended December 31, 2014 provided proceeds of $7,291,089 from the closing of a non-brokered private placement of common shares in December 2014. Total common shares issued in the financing were 18,245,000 at a price of C$0.46 for gross proceeds of $7,315,917. Total share issuance costs were $24,828. The Company had no cash flows from financing activities during the year ended December 31, 2013.

As at December 31, 2015, the Company had working capital of $6,169,233 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 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 December 31, 2015, the Company's estimate of the amount of the contingent payment is $13,900,000. 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. 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 and Commitments

The following table discloses, as of December 31, 2015, 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						
	2016	2017	2018	2019	2020	2021 and beyond	Total
Livengood Property Purchase(1)	$ -	$ 13,900,000	$ -	$ -	$ -	$ -	$ 13,900,000
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	$ 14,436,295	$ 541,348	$ 546,477	$ 556,682	$ 561,966	$ 17,139,085

1. The amount payable in January 2017 of $13,900,000 represents the fair value of the Company's derivative liability as at December 31, 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 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; 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%.

The Company's assessment of impairment related to its capitalized acquisition costs at December 31, 2015 was based on estimated undiscounted future cash flows expected to result from the use and eventual disposition of these assets. The assessment took into account the Company's expectation for the future price of gold as well as the probability of achieving certain opportunities to enhance the economics of the Livengood Gold Project as set out in the Company's September 2013 Study and as subsequently developed by the Company. Based on this assessment, no impairments were recorded at December 31, 2015.

Derivative

Derivative financial liabilities include the Company's future contingent payment valued using estimated future gold prices. Derivatives are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit and loss. Fluctuations in the Company's derivative liability are driven by the price of gold during the current period and the forecasted price of gold to the end of the term of the liability in December 2016, which is payable in January 2017.

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 Issued Accounting Pronouncements

In June 2014, the FASB issued Accounting Standards Update 2014-12, Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period ("ASU 2014-12"). The amendments in ASU 2014-12 require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in ASC 718, as it relates to awards with performance conditions that affect vesting to account for such awards. The amendments in ASU 2014-12 are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Early adoption is permitted. The adoption of ASU 2014-12 is not expected to have a material impact on our financial position, results of operations or cash flows.

In August 2015, the FASB issued Accounting Standards Update 2014-15, Presentation of Financial Statements – Going Concern (Topic 205-40): Disclosures Related to Uncertainties About Going Concern ("ASU 2014-15"). ASU 2014-15 provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern or to provide related footnote disclosure. The new standard incorporates some of the principles of the current auditing standards and builds upon them, as follows:

- Requires an assessment each annual and interim reporting period.
- Defines substantial doubt.
- Sets a look-forward period of one year from the financial statement issuance date.
- Requires disclosures even when an initially-identified substantial doubt is alleviated by management's plans.

The amendments in ASU 2014-15 are effective for years ending after December 15, 2016 and for years and interim periods thereafter.

Early adoption of this standard is permitted but the Company has not yet adopted the standard. The Company is currently assessing the impact of adoption but expects the impact to be minimal.