

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, 2018. All currency amounts are stated in U.S. dollars unless noted otherwise.

Current Business Activities

General

During the six months ended June 30, 2019 and to the date of this Quarterly Report on Form 10-Q, the Company advanced the work plan associated with the approved 2019 budget of \$3.7 million. Metallurgical studies are underway at SGS Vancouver in an effort to continue to define and refine the Livengood Gold Project's flowsheet. Approximately 2,000 kg of samples will be processed in 2019 to evaluate optimum grind size and to determine whether different recovery parameters should be applied to different areas of the orebody. The engineering firm of BBA Inc. ("BBA") has been retained to continue to guide the metallurgical program. Work has advanced on the environmental baseline efforts needed to support future permitting.

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

In accordance with the Company's DSU Plan, on August 8, 2019 the Company granted each of the members of the Board of Directors (other than those directors nominated for election by Paulson & Co., Inc.) 97,647 DSUs with a grant date fair value of C\$0.85 per grant, or an aggregate of C\$415,000. The DSUs entitle the holders to receive shares of the Company's capital stock without the payment of any consideration. The DSUs vested immediately upon being granted but the shares of capital stock underlying the DSUs are not deliverable to the grantee until the grantee is no longer serving on the Company's Board of Directors.

In accordance with the Company's 2006 Incentive Stock Option Plan, on August 8, 2019 the Company granted a total of 187,232 incentive stock options to an officer and employees of the Company to purchase common shares in the capital stock of the Company at an issue price of C\$0.85 per share. Of the total 187,232 stock options granted, Mr. Karl Hanneman, Chief Executive Officer, is entitled to purchase a total of 150,000 common shares in the capital stock of the Company. The options vest 100% on the grant date of August 8, 2019 with an expiry date of August 8, 2025.

Results of Operations

Summary of Quarterly Results

Description	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
Net loss	\$ (1,387,054)	\$ (820,912)	\$ (901,767)	\$ (1,269,636)
Basic and diluted net loss per common share	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.01)

	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
Net loss	\$ (955,415)	\$ (1,065,220)	\$ (1,380,921)	\$ (1,745,513)
Basic and diluted net loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)

Three Months Ended June 30, 2019 compared to Three Months Ended June 30, 2018

The Company incurred a net loss of \$1,387,054 for the three month period ended June 30, 2019, compared to a net loss of \$955,415 for the three month period ended June 30, 2018.

Mineral property expenditures were \$911,947 for the three months ended June 30, 2019 compared to \$706,115 for the three months ended June 30, 2018. The increase of \$205,832 is primarily due to the differences in the scope of technical and baseline environmental work completed during the periods.

Consulting and investor relations costs were \$63,921 for the three months ended June 30, 2019 compared to \$53,088 for the three months ended June 30, 2018. The increase of \$10,833 is primarily due to community and investor relations services being transferred to an external contractor (increase of \$17,442) and reduced annual shareholder's meeting printing and mailing services (decrease of \$6,609).

Insurance costs were \$30,791 for the three months ended June 30, 2019 compared to \$36,503 for the three months ended June 30, 2018. The decrease of \$5,712 resulted after the Company completed a review of current coverage requirements.

Professional fees were \$44,656 for the three months ended June 30, 2019 compared to \$50,308 for the three months ended June 30, 2018. The decrease of \$5,652 is due to timing variance of audit/tax services.

Travel was \$5,138 for the three months June 30, 2019 compared to \$12,026 for the three months ended June 30, 2018. The decrease of \$6,888 is due to reduced travel requirements.

Excluding share-based payment charges of \$Nil and \$5,098 for the 2019 and 2018 periods, respectively, wages and benefits for the three months ended June 30, 2019 decreased to \$176,777 from \$345,349 for the three months ended June 30, 2018. The decrease of \$168,572 is due to staffing and compensation reductions.

Share-based payment charges

Share-based payment charges for the three month periods ended June 30, 2019 and 2018 were allocated as follows:

Expense category:	June 30, 2019	June 30, 2018
Wages and benefits	\$ -	\$ 5,098
Total	\$ -	\$ 5,098

Share-based payment charges were \$Nil during the three months ended June 30, 2019 compared to \$5,098 during the three months ended June 30, 2018. The decrease of \$5,098 in share-based payment charges during the period was mainly the result of the most recent options issued on March 21, 2018 being exercisable upon grant.

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

Other items amounted to a loss of \$86,941 during the three month period ended June 30, 2019 compared to a gain of \$321,792 during the three month period ended June 30, 2018. The Company had a foreign exchange loss of \$159,708 during the three month period ended June 30, 2019 compared to a gain of \$239,726 during the three month period ended June 30, 2018 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 June 30, 2019 was C\$1 to US\$0.7476 compared to C\$1 to US\$0.7747 during the three month period ended June 30, 2018.

Six Months Ended June 30, 2019 compared to Six Months Ended June 30, 2018

The Company incurred a net loss of \$2,207,966 for the six month period ended June 30, 2019, compared to a net loss of \$2,020,635 for the six month period ended June 30, 2018.

Mineral property expenditures were \$1,162,538 for the six months ended June 30, 2019 compared to \$910,327 for the six months ended June 30, 2018. The increase of \$252,211 is primarily due to the differences in the scope of technical work completed during the periods.

Insurance costs were \$60,629 for the six months ended June 30, 2019 compared to \$107,953 for the six months ended June 30, 2018. The decrease of \$47,324 resulted after the Company completed a review of current coverage requirements.

Professional fees were \$92,117 for the six month period ended June 30, 2019 compared to \$102,271 for the six month period ended June 30, 2018. The decrease of \$10,154 is due primarily to decreased legal fees related to property matters.

Travel costs were \$8,095 for the six months ended June 30, 2019 compared to \$30,315 for the six months ended June 30, 2018. The decrease of \$22,220 is due to the Company's continued efforts to reduce spending.

Excluding share-based payment charges of \$1,686 and \$173,297 for the 2019 and 2018 periods, respectively, wages and benefits for the six months ended June 30, 2019 decreased \$373,971 to \$330,842 from \$704,813 for the six months ended June 30, 2018 primarily due to staffing and compensation reductions.

Share-based payment charges

Share-based payment charges for the six month periods ended June 30, 2019 and 2018 were allocated as follows:

Expense category:	June 30, 2019	June 30, 2018
Investor relations	\$ -	\$ 5,968
Wages and benefits	1,686	173,297
	<u>\$ 1,686</u>	<u>\$ 179,265</u>

Share-based payment charges were \$1,686 during the six months ended June 30, 2019 compared to \$179,265 during the six months ended June 30, 2018. The decrease of \$177,579 in share-based payment charges during the period was mainly the result of options issued during the six month period ended June 30, 2018 that were exercisable upon grant.

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

Other items amounted to a loss of \$258,282 during the six month period ended June 30, 2019 compared to a gain of \$309,493 during the six month period ended June 30, 2018. The Company had a foreign exchange loss of \$363,246 during the six month period ended June 30, 2019 compared to a gain of \$212,279 during the six month period ended June 30, 2018 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 six month period ended June 30, 2019 was C\$1 to US\$0.7499 compared to C\$1 to US\$0.7827 for the six month period ended June 30, 2018.

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 June 30, 2019, the Company had cash and cash equivalents of \$8,302,179 compared to \$10,228,964 at December 31, 2018. The decrease of approximately \$1.9 million resulted mainly from expenditures on operating activity of approximately \$1.9 million.

Financing activities during the six month period ended June 30, 2019 included the exercise of stock options. Proceeds of \$64,254 were received on the issuance of 121,174 common shares.

Financing activities during the six month period ended June 30, 2018 included completion of a non-brokered private placement in March 2018 pursuant to which the Company issued 24,000,000 common shares at \$0.50 per share for gross proceeds of \$12.0 million. Share issuance costs included \$111,379 related to the private placement. Following the resignation of director Mark Hamilton on November 6, 2017, the Company recognized an obligation to issue 129,687 common shares, with a value of \$63,593. On March 27, 2018, the Company issued the common shares in full satisfaction of the obligation. As a result of the exercise of stock options, \$114,358 in proceeds was received on the issuance of 294,000 common shares during the six month period ended June 30, 2018.

Investing activities during the six month period ended June 30, 2019 was comprised of the capitalized acquisition costs of \$31,819 for land acquisitions that closed in the second quarter. The Company had no cash flows from investing activities during the six month period ended June 30, 2018.

As at June 30, 2019, the Company had working capital of \$8,079,011 compared to working capital of \$9,884,979 at December 31, 2018. The Company expects that it will operate at a loss for the foreseeable future, but believes the current cash and cash equivalents will be sufficient for it to complete its anticipated 2019 work plan at the Livengood Gold Project and satisfy its currently anticipated general and administrative costs through the 2020 fiscal year.

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

its financing options includes pursuing a future strategic alliance to assist in further development, permitting and future construction costs, although there can be no assurance that any such strategic alliance will, in fact, be realized.

Despite the Company’s success to date in raising significant equity financing to fund its operations, there is significant uncertainty that the Company will be able to secure any additional financing in the current or future equity markets. See “Risk Factors – *We will require additional financing to fund exploration and, if warranted, development and production. Failure to obtain additional financing could have a material adverse effect on our financial condition and results of operation and could cast uncertainty on our ability to continue as a going concern*” included in Part I, Item 1A of the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

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 June 30, 2019, 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 by Year						
	2019	2020	2021	2022	2023	2024 and beyond	Total
Mineral Property Leases ⁽¹⁾	\$ -	\$ 438,951	\$ 444,185	\$ 449,498	\$ 454,890	\$ 460,363	\$ 2,247,887
Mining Claim Government Fees	114,825	114,825	114,825	114,825	114,825	114,825	688,950
Total	\$ 114,825	\$ 553,776	\$ 559,010	\$ 564,323	\$ 569,715	\$ 575,188	\$ 2,936,837

(1) 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).

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, 2018, 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 June 30, 2019, 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 June 30, 2019, 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, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.