

## 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, 2017. All currency amounts are stated in US dollars unless noted otherwise.

### Current Business Activities

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#### General

During the nine months ended September 30, 2018 and to the date of this Quarterly Report on Form 10-Q, the Company announced on March 13, 2018 that it had completed a non-brokered private placement pursuant to which it issued 24,000,000 common shares at \$0.50 per share for gross proceeds of \$12.0 million.

On March 12, 2018, the Board approved a 2018 budget of \$5.1 million. The work program incorporated in this budget will build upon the metallurgical studies undertaken in 2017 to continue to define and refine the Project flowsheet. Using the improved mineralization and alteration models now available for the Livengood gold deposit arising from the work completed in 2017, 4000 kg of metallurgical composites were selected based on location within the deposit and shipped to SGS Vancouver ("SGS"). SGS has completed processing portions of these samples and the data are being evaluated to determine whether different recovery or cost parameters should be applied to different portions of the orebody. The engineering firm of BBA Inc. will continue to guide the metallurgical program. Work is also planned to advance 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 October 17, 2018 the Company granted each of the members of the Board of Directors (other than those directors nominated for election by Paulson & Co., Inc.) 101,220 DSUs with a grant date fair value of CAD 0.82 per grant, or an aggregate of CAD 581,000. The DSUs entitle the holders to receive shares of the Company's Common Stock without the payment of any consideration. The DSUs vested immediately upon being granted but the shares of Common Stock underlying the DSUs are not deliverable to the grantee until the grantee is no longer serving on the Company's Board of Directors.

#### Results of Operations

##### Summary of Quarterly Results

Description	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Net loss	\$ (1,269,636)	\$ (955,415)	\$ (1,065,220)	\$ (1,380,921)
Basic and diluted net loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)

  

	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Net loss	\$ (1,745,513)	\$ (1,627,646)	\$ (1,677,977)	\$ (1,109,733)
Basic and diluted net loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)

##### *Three Months Ended September 30, 2018 compared to Three Months Ended September 30, 2017*

The Company incurred a net loss of \$1,269,636 for the three month period ended September 30, 2018, compared to a net loss of \$1,745,513 for the three month period ended September 30, 2017.

Mineral property expenditures were \$394,736 for the three months ended September 30, 2018 compared to \$867,900 for the three months ended September 30, 2017. The decrease of \$473,164 is primarily due to the differences in the scope of technical and baseline environmental work completed during the periods.

Consulting costs were \$30,679 for the three months ended September 30, 2018 compared to \$70,614 for the three months ended September 30, 2017. The decrease of \$39,935 is primarily due to the Company's continued efforts to maintain or reduce spending.

Insurance costs were \$30,573 for the three months ended September 30, 2018 compared to \$74,134 for the three months ended September 30, 2017. The decrease of \$43,561 resulted after the Company completed a review of current coverage requirements.

Professional fees were \$33,889 for the three months ended September 30 compared to \$58,227 for the three months ended September 30, 2017. The decrease of \$24,338 is primarily due to a decrease in legal fees related to further work in connection with property matters.

Excluding share-based payment charges of \$5,091 and \$Nil for the 2018 and 2017 periods, respectively, wages and benefits for the three months ended September 30, 2018 increased to \$459,607 from \$406,395 for the three months ended September 30, 2017. The increase of \$48,121 is due to severance accruals partially offset by staffing and compensation reductions.

#### Share-based payment charges

Share-based payment charges for the three month periods ended September 30, 2018 and 2017 were allocated as follows:

<b>Expense category:</b>	<b>September 30, 2018</b>	<b>September 30, 2017</b>
Wages and benefits	\$ 5,091	\$ -
	\$ 5,091	\$ -

Share-based payment charges were \$5,091 during the three months ended September 30, 2018 compared to \$Nil during the three months ended September 30, 2017. The increase of \$5,091 in share-based payment charges during the period was mainly the result of options issued during the three month period ended September 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 \$201,947 during the three month period ended September 30, 2018 compared to a loss of \$128,310 during the three month period ended September 30, 2017. The Company had a foreign exchange loss of \$219,327 during the three month period ended September 30, 2018 compared to a loss of \$133,815 during the three month period ended September 30, 2017 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, 2018 was C\$1 to US\$0.7652 compared to C\$1 to US\$0.7984 during the three month period ended September 30, 2017.

#### ***Nine Months Ended September 30, 2018 compared to Nine Months Ended September 30, 2017***

The Company incurred a net loss of \$3,290,271 for the nine month period ended September 30, 2018, compared to a net loss of \$5,051,136 for the nine month period ended September 30, 2017.

Mineral property expenditures were \$1,305,063 for the nine months ended September 30, 2018 compared to \$2,247,405 for the nine months ended September 30, 2017. The decrease of \$942,342 is primarily due to the differences in the scope of technical work completed during the periods.

Consulting fees were \$110,589 for the nine months ended September 30, 2018 compared to \$217,389 for the nine months ended September 30, 2017. The decrease of \$106,800 is due primarily to decreased media support services and the Company's continued efforts to maintain or reduce spending.

Insurance costs were \$138,526 for the nine months ended September 30, 2018 compared to \$208,867 for the nine months ended September 30, 2017. The decrease of \$70,341 resulted after the Company completed a review of coverage requirements.

Investor relations costs were \$51,951 for the nine months ended September 30, 2018 compared to \$72,752 for the nine months ended September 30, 2017. The decrease of \$20,801 is primarily due to decreased costs for the 2018 Annual General Meeting materials and reduced Investor Relations support.

Professional fees were \$136,160 for the nine months ended September 30, 2018, compared to \$173,345 for the nine months ended September 30, 2017. The decrease of \$37,185 is due primarily to decreased legal fees related to property matters.

Travel costs were \$49,011 for the nine months ended September 30, 2018 compared to \$75,291 for the nine months ended September 30, 2017. The decrease of \$26,280 is due to the Company's continued efforts to maintain or reduce spending.

Excluding share-based payment charges of \$178,388 and \$9,322 for the 2018 and 2017 periods, respectively, wages and benefits for the nine months ended September 30, 2018 decreased \$104,662 to \$1,337,717 from \$1,442,379 for the nine months ended September 30, 2017 due to staffing and compensation reductions partially offset by severance accruals.

#### Share-based payment charges

Share-based payment charges for the nine month periods ended September 30, 2018 and 2017 were allocated as follows:

<b>Expense category:</b>	<b>September 30, 2018</b>	<b>September 30, 2017</b>
Consulting	\$ -	\$ 2,957
Investor relations	5,968	848
Wages and benefits	178,388	9,322
	\$ 184,356	\$ 13,127

Share-based payment charges were \$184,356 during the nine months ended September 30, 2018 compared to \$13,127 during the nine months ended September 30, 2017. The increase of \$171,229 in share-based payment charges during the period was mainly the result of options issued during the nine month period ended September 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 gain of \$107,546 during the nine month period ended September 30, 2018 compared to a loss of \$332,255 during the nine month period ended September 30, 2017. The Company had a foreign exchange loss of \$7,048 during the nine month period ended September 30, 2018 compared to a loss of \$377,940 during the nine month period ended September 30, 2017 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 nine month period ended September 30, 2018 was C\$1 to US\$0.7769 compared to C\$1 to US\$0.7657 for the nine month period ended September 30, 2017.

#### **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, 2018, the Company had cash and cash equivalents of \$11,068,457 compared to \$2,244,466 at December 31, 2017. The increase of approximately \$8.8 million resulted mainly from the completion of a \$12.0 million non-brokered private placement on March 13, 2018 and interest income of \$0.1 million partially offset by expenditures on operating activities of approximately \$3.3 million.

Financing activities during the nine month period ended September 30, 2018 included completion of a non-brokered private placement 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 March 2018 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.

Financing activities during the nine month period ended September 30, 2017 included payment of the final derivative payment of approximately \$14.7 million. Share issuance costs included \$45,000 related to a non-brokered private placement of common shares in December 2014 and \$147 related to the share issuance to the previous CEO.

Investing activities during the nine month period ended September 30, 2018 comprised of the capitalized acquisition costs of \$69,391 for land acquisitions that closed in the third quarter and proceeds of \$14,431 from the sale of marketable securities. The Company had no cash flows from investing activities during the nine month period ended September 30, 2017.

As at September 30, 2018, the Company had working capital of \$10,837,761 compared to working capital of \$1,993,358 at

December 31, 2017. 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 2018 work plan at the Livengood Gold Project and satisfy its currently anticipated general and administrative costs through the 2019 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, 2017.

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 September 30, 2018, the Company's contractual obligations, including anticipated mineral property payments. 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						Total
	2018	2019	2020	2021	2022	2023 and beyond	
Mineral Property Leases <sup>(1)</sup>	\$ -	\$ 425,389	\$ 430,420	\$ 435,526	\$ 440,709	\$ 445,970	\$ 2,178,014
Mining Claim Government Fees	76,850	114,825	114,825	114,825	114,825	114,825	650,975
<b>Total</b>	<b>\$ 76,850</b>	<b>\$ 540,214</b>	<b>\$ 545,245</b>	<b>\$ 550,351</b>	<b>\$ 555,534</b>	<b>\$ 560,795</b>	<b>\$ 2,828,989</b>

(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).

### 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 to the accompanying unaudited condensed consolidated financial statements, represented the remaining consideration for the purchase of these claims and related rights and was paid in January 2017. Under the Agreement, the payment was made 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 and subsequently appointed Chief Executive Officer of the Company effective January 31, 2017. Mr. Hanneman was a partner of the general partner, as well as a limited partner, of AN Gold Mines and held 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, 2017, 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, 2018, 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, 2018, 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, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.