



**Management's Discussion and Analysis**  
**for the Year Ended December 31, 2014**

Management's Discussion and Analysis ("MD&A") is intended to help the reader understand Highway 50 Gold Corp.'s (the "Company") financial statements. The information provided herein should be read in conjunction with the audited Financial Statements for the years ended December 31, 2014 and December 31, 2013. The following comments may contain management estimates of anticipated future trends, activities or results. These are not a guarantee of future performance, since actual results could change based on other factors and variables beyond management control.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company's board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

The reader is encouraged to review Company statutory filings on [www.sedar.com](http://www.sedar.com) and to review general information.

Information herein is current as of April 27, 2015 unless otherwise noted.

## **DESCRIPTION OF BUSINESS AND OVERVIEW**

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The Company is an exploration stage company engaged principally in the acquisition and exploration of exploration and evaluation assets. The recovery of the Company's investment in its exploration and evaluation assets is dependent upon the discovery of economically recoverable mineral reserves and the ability to raise sufficient capital to finance this operation. The ultimate outcome of these operations cannot presently be determined because they are contingent on future matters.

The following is a summary of the significant milestones that have occurred since the beginning of the year:

- In March 2015, the Company completed a six hole Reverse Circulation ("RC") / core drill program on its wholly owned Porter Canyon project, Nevada.
- In February 2015, the Company extended the terms of 7,027,025 common share purchase warrants at \$0.60 (the "Warrants") issued pursuant to a non-brokered private placement which closed in March 2014. No Warrants issued under the Private Placement have been exercised to date. The TSX Venture Exchange agreed to extend the terms of the Warrants for an additional year to February 28, 2016.
- In January 2015, 1,275,000 incentive stock options at a price of \$0.35 per share expired. In February 2015, the Company granted 1,375,000 options to directors, officers and employees at a price of \$0.40 per share for a five-year period, pursuant to its Stock Option Plan.
- In October 2014, the Company granted incentive stock options to directors and officers to purchase up to 620,000 common shares at a price of \$0.41 per share for a five-year period, pursuant to its Stock Option Plan.
- On April 1, 2014, C. Victor Chevillon resigned from the Board of Directors in order to focus solely on another business opportunity.
- In February 2014, the Company completed a non-brokered private placement raising gross proceeds of \$2,600,000 through the sale of 7,027,025 units (each a "Unit") at a purchase price of \$0.37 per Unit (the "Offering"). Each Unit consists of one common share of the Company and one non-transferable common share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to purchase one additional common share of the Company (a "Warrant Share") at an exercise price of \$0.60 per Warrant Share until February 28, 2015. In connection with the Offering, the Company paid cash finder's fees of \$38,332, and issued 24,500 Units and 128,100 Finders Options at \$0.45 for services provided by finders. Net proceeds will be used towards the Porter Canyon project and for general working capital purposes.

- In February 2014, the Company entered into a definitive Option Agreement with Regulus Resources Inc. ("Regulus") with respect to the grant of an option (the "Option") to Regulus to acquire a 50% option in the Company's Golden Brew project located in Nevada. In order to exercise the Option, Regulus must, among other things, spend US\$5,000,000 on exploration expenditures on the project over 5 years, and assume the underlying third party lease payments and claim holding costs. Exploration expenditures of US\$500,000 in the first year is a firm commitment. Upon earn-in the parties will form a joint venture on a 50/50 basis. In addition, as an integral part of the grant of the Option, Regulus purchased an aggregate of 2,000,000 Units in the Offering for proceeds of \$740,000 under the Offering.

## **MINERAL PROPERTY REVIEW**

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*This review has been prepared by the Company's geologic staff under the supervision of Gordon P. Leask, P.Eng., President, CEO and Director of the Company, and a Qualified Person ("QP") as defined by National Instrument 43-101 (Standards of Disclosure for Mineral Projects).*

The Company currently owns, or has the right to acquire an interest in, three projects located in Nevada (the Golden Brew Property and the Porter Canyon Project).

### **Porter Canyon Project**

The Company acquired the Porter Canyon claims in 2011 by staking. Porter Canyon comprises 201 unpatented claims located in Lander County, Nevada that cover the projected north-eastern terminus of the Eastgate volcanic trough under pediment cover outboard of the Quito Mine. Quito is a Carlin-type deposit hosted in lower-plate silty limestones from which 175,000 ounces of gold was produced between 1986 and 1989.

Although the bedrock at Porter Canyon is largely covered by overburden, the geology at the base of the Toiyabe Range that projects under the property is dominated by an open shallowly plunging, north-westerly trending, breached, anticline which is cored by Roberts Mountains Formation and capped at least in part by Upper-plate lithologies. The northern limb of the anticline shows extensive solution collapse with intermittent occurrences of auriferous and argentiferous jasperoid over a strike length of 2,600 metres. This zone is coincident with a gold bearing float train on its western end. The north-west trending anticline is projected to intersect a set of northerly trending structures which likely form the western edge of the Quito Lower-plate Window, 1,400 metres outboard of the base of the Toiyabe Range. This structural linkage also coincides with an inferred horst block as indicated by detailed gravity surveys. Management believes the geologic architecture at Porter Canyon provides an optimal structural trap for a significant Carlin-style deposit.

Subsequent to staking the Porter Canyon claims, the Company executed gravity surveys which are interpreted to show several horsted blocks under a shallow westerly sloping pediment, west of the base of the Toiyabe Range. Initial drill targets consist of the intersection of a set of northwest trending structures which host auriferous jasperoids with antimony mineralization in the range and a set of north trending cut-off structures related to a major crustal feature referred to as the Western Nevada Rift. These intersections appear to be coincident with the structural edges of the aforementioned horst blocks. Subsequent to executing the gravity surveys over the property, the Company commissioned a CSAMT geophysical survey. Results of this work suggest the existence of a buried horst block located approximately 1.5 kilometres (1 mile) outboard of the range front. A series of south-east trending structures that bracket the target project directly back to the past-producing Quito Mine. A number of auriferous and argentiferous jasperoids, including those in the vicinity of the former Antimony King Mine, are located within this structural zone.

In 2011, the Company announced results from 980 metres of a proposed 1,500 metre reverse circulation drilling program. Holes PCT-11-01 and PCT-11-02, drilled to depths of 451 metres and 528 metres respectively, were lost in alluvium prior to encountering bedrock. The holes are located approximately 1 kilometre apart in the north-south direction with PCT-11-01 being the northernmost. The bottom 40 metres (130 feet) of colluvium in PCT-11-01 exhibits significant enrichment in Carlin-type pathfinder elements, arsenic and antimony, as well as substantially elevated gold values. This is in contrast to PCT-11-02 which shows erratic anomalous values in gold (up to 225 ppb) but no pathfinders. The 35 metre section in PCT-11-01 from 410 metres to 445 metres (110 feet) averaged 61 ppb Au with the two highest 1.5 metre (5 feet) samples returning 174 ppb Au and 83 ppb Au. Corresponding average arsenic and antimony values are 100 ppm As and 30 ppm Sb (up to 44 ppm Sb) over the same interval. In June 2013, additional samples of colluvium were retrieved. These samples make up the bulk of the drill record for

an additional 330 metres of the hole. Assays show values that are consistently elevated in gold (to 162 ppb), arsenic (to 221 ppm) and antimony (to 202 ppm).

Subsequent follow-up surface prospecting in the colluvium between the drill hole and the range front returned numerous boulders of mineralized Upper-plate and Lower-plate rocks assaying up to 3.7 g/t Au. Further investigation did in fact find a mineralized jasperoid outcrop, which assayed 54.3 ppm silver and 0.4% antimony, in the immediate vicinity of the auriferous float. Drill hole PCT-11-01 is located on the projected western edge of the Quito Lower-plate window, 1.5 kilometres outboard of the Toiyabe Mountain Range at the western extension of a series of north-west trending structures that bracket the past producing Quito gold mine (176,000 ounces of gold), four kilometres to the south east and the former Antimony King Mine, 3 kilometres to the south east.

In March 2015, the Company completed a RC/core drill comprised of six drill holes totaling 8,590 feet, of which 770 feet was core and 7,820 feet was drilled by RC. A sum total of 1,340 feet was drilled in bedrock in four holes. The geologic units intersected were members of the Lower-plate assemblage including siltstones of the Nine Mile Formation and thin bedded silty limestones of the Roberts Mountains Formation. Sporadic Carlin type mineralization was encountered in bedrock with values up to 952 ppm arsenic and 168 ppb gold. Of more potential economic interest was a 65 foot thick zone that was drilled in colluvium in drill hole PC-6. This zone averaged 100 ppb gold, 144 ppm arsenic and 35 ppm antimony with maximum values for five foot intervals assaying 160 ppb gold, 188 ppm arsenic and 60 ppm antimony. The zone is coincident with a strong resistivity low at the overburden-bedrock interface. As such, this resistivity feature is likely a buried channel which hosts a concentration of mineralized boulders and constitutes a lag deposit which is similar but higher grade than the original lag deposit drilled at Porter Canyon in 2011. Although bedrock depths were deeper than expected, assay data from bedrock west of the Toiyabe Mountain range front indicates background gold levels are less than 5 ppb. Background gold levels in the colluvium above bedrock were commonly five times this level with maximum values 40 times background, over a five foot interval. This data would indicate that the high gold levels in colluvium have been sourced from bedrock other than the proximal bedrock. Management now believes that both the district's gold enriched channels as well as the broad colluvian cover, are part of a lag gold deposit related to a bedrock hosted Carlin style deposit located to the north of the recent drill campaign. Further widely spaced drill holes are planned to establish a vector direction of the postulated bedrock host deposit.

In addition, The Company has completed five lines of CSAMT north of the recent drill sites with the objective of delineating the mineralized lag deposit and determining the likely source area of the mineralized boulders for follow-up drilling.

### **Golden Brew Property**

The Golden Brew claims ("Golden Brew") comprises 153 claims prospective for Carlin-style gold mineralization which has only been superficially explored by previous owners, including eight shallow drill holes totaling 2,885 feet completed in 1989. To date, gold mineralization at Golden Brew consists of a zone of gold bearing jasperoid measuring 2,500 feet long and up to 200 feet wide, hosted in thin bedded platy Cambrian-aged carbonates. Wherever sampled, the jasperoid is anomalous in all Carlin-type gold deposit pathfinder elements, with gold grades ranging from anomalous to 4 grams/tonne. The zone is exposed on the western slope of the Toiyabe Mountain range and is truncated on the west by a north-south trending range front fault. West of the range front fault is an area of gravel cover where the company conducted gravity and CSAMT geophysical surveys. These surveys were designed to locate the gold bearing structure within the favourable host rocks at reasonable exploration depths beneath the gravel cover. The geophysical program was successful in locating an uplifted horst block with the potential gold bearing structure extending through it.

The Company has completed four holes of its initial eight hole, +10,000 foot reverse circulation drill campaign at Golden Brew. A total of approximately 8,800 feet of drilling was performed. The Company intends to complete the remainder of the drilling based on permitting and financing. The geophysically-interpreted uplifted carbonate horst block was encountered in three of the first four holes with thick intersections of favourable carbonate host rock stratigraphy. Geophysical modeling is ongoing and will be used to target drill holes for the upcoming drill program. Assay results show a 150 foot interval of anomalous arsenic (to 290 ppm) and antimony (to 24 ppm) in drill hole GB-3. These levels are higher than the anomalous soils peripheral to the auriferous jasperoid at the range front 7500 feet to the east.

The following are summary logs of the first four holes on a north-south section spanning 7 kilometres (2.75 miles).

Golden Brew Drill Results				
Drill Hole #	Location	Interval	Length	Description
GB-1		0 to 2,145 ft	2,145 ft	Alluvium
		2,145 to 2,200 ft	55 ft	Volcanic tuffs
GB-2	6,000' south of GB-1	0 to 2,060 ft	2,060 ft	Alluvium
		2,060 to 2,160 ft	100 ft	Volcanic tuffs
		2,160 to 2,180 ft	20 ft	Thin-bedded limey siltstones
GB-3	4,000' south of GB-2 and 7,000' WNW of the large auriferous jasperoid at Golden Brew	0 to 1,380 ft	1,380 ft	Alluvium
		1,380 to 2,100 ft	720 ft	Thin-bedded limey siltstones
		2,100 to 2,200 ft	100 ft	Carbonaceous phyllites
GB-4	3,000' south of GB-3	0 to 1,685 ft	1,685 ft	Alluvium
		1,685 to 2,200 ft	515 ft	Thin bedded limey siltstones

As predicted by a previously executed gravity survey, the drill holes confirm an uplifted horst block around hole GB-3. The magnitude of the uplift is 800 feet. Gravity data suggests that this location is not necessarily the shallowest area of the horst block. The northern flank of the horst block is approximately coincident with the southern edge of the Eastgate Volcanic Trough. Based upon the drilling, the structural intersection between the southeastern terminus of the Eastgate Volcanic Trough and projected extension of the Golden Brew jasperoid is now interpreted to be proximal to, and east of drillhole GB-2. This area is a priority target for follow-up drilling.

Based upon the confirmation of a strong structural architecture is juxtaposition with favourable host rocks and geochemical evidence that the Carlin-type system exposed one mile east of the horst block extends under pediment to the west, management believes further drilling is warranted. The Company completed a 3-D inversion of the gravity data plus an additional 3 lines of CSAMT. This work further refines the structural interpretation of the property. The Company has engaged Enviroscentists, Inc. of Reno, Nevada to permit six new drill sites on the Golden Brew property. Three of these locations are on BLM lands and three are on Forest Service managed lands. In 2013, the Company filed a NI 43-101 report recommending a further 5 drill holes (10,000 ft) at Golden Brew. All of the requisite reports, including biological and cultural studies, have been filed with the U.S. Forest Services and the Company is awaiting approval.

The Company is party to a mining lease with Genesis Gold Corporation with an option to acquire a 100% interest in Golden Brew. The mining lease is for a term of fifteen years, and for so long thereafter as the Company is engaged in mineral development, mining or reclamation and closure activities on the property, subject to earlier termination by the parties in accordance with the mining lease agreement. The terms of the mining lease agreement include an initial payment to the optionor of US\$10,000 (paid) on execution of the mining lease agreement. The Company has also agreed to pay to the optionor lease payments (the "Lease Payments") of US\$15,000 (paid) on the first anniversary of execution of the mining lease agreement, US\$25,000 (paid) on the second and third anniversaries and escalating Lease Payments thereafter until production is achieved or the mining lease agreement has terminated. The Company has an option which may be exercised at any time during the mining lease agreement to acquire a 100% interest in the property for the purchase price of US\$2,000,000 (the "Purchase Price"), subject to a 2% net smelter returns royalty (the "Royalty"). The Company may not place the property into production without paying the optionor the Purchase Price in full. All Lease Payments made by the Company will be applied to the Purchase Price. The Royalty will be reduced to one percent of net smelter returns at such time as the Company has paid US\$4,000,000 to the optionor in royalty payments. The acquisition is an arm's length transaction.

In February 2014, the Company executed an option/joint venture agreement with Regulus Resources Inc. ("Regulus") whereby Regulus may earn a 50% interest in the property by completing US\$5.0 Million in exploration expenditures over 5 years. Upon earn-in, the parties will form a joint venture on a 50/50 basis with Regulus having the casting vote as operator.

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**OPERATIONS AND FINANCIAL CONDITION**

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**Selected Annual Information**

The following selected annual financial information is derived from the audited annual consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards.

	<b>Audited</b>		
	<b>(Fiscal Year ended December 31)</b>		
All in 1,000's except Loss per Share and # of Shares	2014	2013	2012
Working capital	\$ 1,817	\$ 149	\$ 599
General & administration expenses	604	268	231
Net loss	509	235	240
Loss per share	0.02	0.01	0.01
Loss per share (fully diluted)	0.02	0.01	0.01
Total assets	4,181	2,259	2,313
Exploration & evaluation assets	2,089	1,665	1,454
Other non-current assets	132	46	42
Share capital:(1)(2)	5,928	3,424	3,424
Number of Shares:(1)(2)	26,697,570	19,646,045	19,646,045
Retained deficit	2,741	2,232	1,997

<sup>(1)</sup> The Company has only one kind and class of shares issued and outstanding, being common shares.

<sup>(2)</sup> No dividends were paid during the years reported above.

*Results of Operations – For the Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013*

**Loss from operating activities**

During the year ended December 31, 2014, loss from operating activities increased by \$273,839 to \$508,783 compared to \$234,944 for the year ended December 31, 2013. The increase in loss from operating activities is largely due to:

- An increase of \$164,441 in stock based compensation. Stock based compensation was \$164,441 for the year ended December 31, 2014 compared to \$Nil for the year ended December 31, 2013. During the year ended December 31, 2014, the Company granted 720,000 options with a weighted average fair value of \$0.23.
- An increase of \$160,788 in consulting fees. Consulting fees were \$233,377 for the year ended December 31, 2014 compared to \$72,589 for the year ended December 31, 2013. Increase is due to the execution of management services agreements for senior management during the year ended December 31, 2014.
- An increase of \$60,244 in gain on foreign exchange. Gain on foreign exchange was \$90,551 for the year ended December 31, 2014 compared to \$30,307 for the year ended December 31, 2013. The increase is due to the strength of the U.S. dollar, the currency of which a significant portion of the Company cash and cash equivalents is held.

The net loss for the year ended December 31, 2014 was \$508,783 or \$0.02 per basic and diluted share compared to net loss of \$234,944 or \$0.01 per basic and diluted share for the year ended December 31, 2013.

## Cash Flow

### *Operating Activities*

Cash outflow from operating activities was \$732,661 for the year ended December 31, 2014 compared to \$63,743 for the year ended December 31, 2013. The increase in cash outflow results primarily from the settlement of long-standing related parties obligations.

### *Financing Activities*

Cash inflow from financing activities was \$2,521,482 for the year ended December 31, 2014 compared to \$Nil for the year ended December 31, 2013. The increase in cash inflow results primarily from issuance of common shares for proceeds of \$2,599,999 for the year ended December 31, 2014.

### *Investing Activities*

Cash outflow from investing activities was \$398,903 for the year ended December 31, 2014 compared to \$185,592 for the year ended December 31, 2013. The increase in cash outflow results primarily from the acquisition of exploration and evaluation assets of \$311,785 in the year ended December 31, 2014 compared to \$183,549 in the year ended December 31, 2013.

## Summary of Quarterly Results

The following is a summary of certain selected financial information for the most recent eight fiscal quarters comprising the Company's preceding two fiscal years:

**Unaudited**  
**(Fiscal Quarters of the Fiscal Year ended December 31, 2014)**

All in \$1,000's except loss per share	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
Working capital	\$ 2,493	\$ 2,262	\$ 2,172	\$ 1,817
Income (loss)	\$ (123)	\$ (226)	\$ 5	\$ (165)
Income (loss) per share	\$ (0.005)	\$ (0.008)	\$ 0.000	\$ (0.010)
Income (loss) per share (fully diluted)	\$ (0.005)	\$ (0.008)	\$ 0.000	\$ (0.010)
Total assets	\$ 4,689	\$ 4,164	\$ 4,103	\$ 4,182
Total liabilities	\$ 405	\$ 106	\$ 40	\$ 143
Deficit	\$ 2,355	\$ 2,581	\$ 2,576	\$ 2,741

**Unaudited**  
**(Fiscal Quarters of the Fiscal Year ended December 31, 2013)**

All in \$1,000's except loss per share	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
Working capital	\$ 501	\$ 425	\$ 271	\$ 149
Loss	\$ 59	\$ 59	\$ 52	\$ 65
Loss per share	\$ 0.003	\$ 0.003	\$ 0.003	\$ 0.003
Loss per share (fully diluted)	\$ 0.003	\$ 0.003	\$ 0.003	\$ 0.003
Total assets	\$ 2,286	\$ 2,270	\$ 2,247	\$ 2,259
Total liabilities	\$ 250	\$ 293	\$ 322	\$ 398
Deficit	\$ 2,036	\$ 2,115	\$ 2,167	\$ 2,232

*Results of Operations – For the Three Months Ended December 31, 2014 Compared to the Three Months Ended December 31, 2013*

During the three months ended December 31, 2014, loss from operating activities increased by \$100,568 to \$164,564 compared to \$63,996 for the three months ended December 31, 2013. The increase in loss from operating activities is largely due to:

- An increase of \$48,666 in consulting fees. Consulting fees were \$66,360 for the three months ended December 31, 2014 compared to \$17,694 for the three months ended December 31, 2013. During the three months ended December 31, 2014, the Company incurred higher costs relating to management fees compared to the three months ended December 31, 2013.
- An increase of \$140,119 in stock based compensation. Stock based compensation was \$140,119 for the three months ended December 31, 2014 compared to \$Nil for the three months ended December 31, 2013. During the three months ended December 31, 2014, the Company granted 620,000 stock options compared to Nil stock options during the three months ended December 31, 2013.
- An increase of \$63,650 in gain on foreign exchange. Gain on foreign exchange was \$80,642 for the three months ended December 31, 2014 compared to \$16,992 for the three months ended December 31, 2013. The increase is due to the Company holding large quantities of US dollars.

The net loss for the three months ended December 31, 2014 was \$164,564 or \$0.01 per basic and diluted share compared to \$63,996 or \$0.003 per basic and diluted share for the three months ended December 31, 2013.

## **Cash Flow**

### *Operating Activities*

Cash outflow from operating activities was \$66,340 for the three months ended December 31, 2014 compared to \$7,411 for the three months ended December 31, 2013. The increase in cash outflow results primarily from a timing difference in the settlement of accounts payable obligations.

### *Financing Activities*

The Company did not have any financing activities in the three months ended December 31, 2014 and 2013.

### *Investing Activities*

Cash outflow from investing activities was \$190,181 for the three months ended December 31, 2014 compared to \$57,323 for the three months ended December 31, 2013. During the three months ended December 31, 2014, the Company focused on exploration activities in Nevada.

## **Liquidity and Capital Resources**

Cash and cash equivalents at December 31, 2014 totaled \$1,913,978 compared to \$524,060 at December 31, 2013. Working capital at December 31, 2014 was \$1,817,475 compared to \$149,186 as at December 31, 2013. The Company has sufficient working capital to continue the exploration and development of the Company's properties in Nevada. The ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing.

Cash used in operating activities during the year ended December 31, 2014 totaled \$732,661 compared with \$63,743 in the same period of 2013. Cash utilized in investing activities was \$398,903 during the year ended December 31, 2014 primarily used in the exploration of the Company's properties in Nevada, compared to \$185,592 during the same period of 2013.

At the date of these consolidated financial statements, the Company has not been able to identify a known body of commercial grade ore on any of its exploration and evaluation assets. The ability of the Company to realize the costs it has incurred to date on these exploration and evaluation assets is dependent upon the Company being able to lever its property interests and cash, by way of exploration activities and option/joint ventures, into assets of greater value.



The Company's authorized capital consists of an unlimited number of common shares without par value.

As at December 31, 2014 and April 27, 2015, the Company had 26,697,570 common shares issued and outstanding (December 31, 2013 – 19,646,045).

During the year ended December 31, 2014, the following stock options were granted: 100,000 at a price of \$0.48 until July 30, 2015 and 620,000 at a price of \$0.41 until October 14, 2019. During the year ended December 31, 2014, 100,000 stock options at \$0.48 until September 10, 2015 were cancelled. There were no stock options exercised. At December 31, 2014, there were 2,470,000 stock options outstanding. If exercised, the 2,470,000 stock options would increase the Company's available cash by \$1,038,200. Subsequent to December 31, 2014 and until the date of this MD&A, there were 1,375,000 stock options granted at a price of \$0.40 until February 3, 2020 and 1,275,000 stock options at a price of \$0.35 expired on January 25, 2015.

During the year ended December 31, 2014, the Company completed a non-brokered private placement raising gross proceeds of \$2,600,000 (the "Offering") through the sale of 7,027,025 units (each a "Unit") at a purchase price of \$0.37 per Unit. Each Unit consists of one common share of the Company and one non-transferable common share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to purchase one additional common share of the Company (a "Warrant Share") at an exercise price of \$0.60 per Warrant Share until February 28, 2015. In connection with the Offering, the Company paid cash finder's fees of \$38,332 and issued 24,500 Units to Finders (Finders' Units"). In addition, the Company also issued finder's options ("Finders' Options") exercisable until February 28, 2015 entitling the finder to acquire up to 128,100 common shares at a purchase price of \$0.45.

During the year ended December 31, 2014, there were no warrants exercised. At December 31, 2014, the following warrants were outstanding: 7,027,025 Warrants @ \$0.60 until February 28, 2015, 24,500 Finders Units warrants @ \$0.60 until February 28, 2015 and 128,100 Finders Options @ \$0.45 until February 28, 2015. Subsequent to the year ended December 31, 2014, the Warrants forming a portion of the Finders' Units and the Finders' Options expired. Subsequent to the year ended December 31, 2014, the 7,027,025 Warrants were extended by one year and are exercisable until February 28, 2016.

#### **Related Party Transactions**

During the year ended December 31, 2014, the Company entered into the following transactions with related parties:

- a) Eagle Putt Ventures Inc. ("Eagle Putt") is a private company controlled by Mr. Gordon P. Leask, a director and officer to the Company. For the year ended December 31, 2014, Eagle Putt was paid \$104,000 (year ended December 31, 2013 - \$24,000). Amounts paid to Eagle Putt are classified as consulting fees in the consolidated statements of operations and comprehensive loss.

At December 31, 2014, the Company owed \$948 (December 31, 2013 - \$5,267) to Eagle Putt.

- b) Rangefront Exploration Corp. ("Rangefront") is a private company controlled by Mr. John M. Leask, a director to the Company. For the year ended December 31, 2014, Rangefront was paid \$104,000 (year ended December 31, 2013 - \$24,000). Amounts paid to Rangefront are classified as consulting fees in the consolidated statements of operations and comprehensive loss.

At December 31, 2014, the Company owed \$1,885 (December 31, 2013 - \$10,009) to Rangefront.

- c) Cerro Rico Management Corp. ("Cerro Rico") is a private company controlled by Megan Cameron-Jones, a director and an officer to the Company. For the year ended December 31, 2014, Cerro Rico was paid \$24,178 (year ended December 31, 2013 - \$24,259) for management services. Amounts paid to Cerro Rico are classified as consulting fees in the consolidated statements of operations and comprehensive loss. The Company also paid or accrued \$66,136 (year ended December 31, 2013 - \$66,734) to Cerro Rico for expenses classified in the consolidated statements of operations and comprehensive loss as office and administrative and \$Nil (year ended December 31, 2013 - \$8,410) for rent.

At December 31, 2014, the Company owed \$Nil (December 31, 2013 - \$320,068) to Cerro Rico.

- d) During the year, the Company entered into an agreement with Regulus Resources Inc., a company with common directors, as disclosed in Note 8.

Amounts payable to related parties have no specific terms of repayment, are unsecured, and have no interest rate.

Cerro Rico has a balance owing to the Company as at December 31, 2014 of \$36,052, consisting of an amount of GST charged to the Company on services provided to the Company which was subsequently denied by Canada Revenue Agency.

The amounts charged to the Company for the services provided have been determined by negotiation among the parties. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The remuneration of directors and other members of key management personnel during the year ended December 31, 2014 and 2013 are as follows:

	Salaries	Other Payments	Share-based Benefits	Total
December 31, 2014				
Chief Executive Officer	\$ -	\$ 104,000	\$ 37,869	\$ 141,869
Chief Financial Officer	-	-	-	-
Executive directors	-	129,377	63,114	192,491
Non-executive directors	-	-	50,492	50,492
	\$ -	\$ 233,377	\$ 151,475	\$ 384,852
December 31, 2013				
Chief Executive Officer	-	24,000	-	\$ 24,000
Chief Financial Officer	-	-	-	-
Executive directors	-	48,589	-	48,589
Non-executive directors	-	-	-	-
	\$ -	\$ 72,589	\$ -	\$ 72,589

### **Proposed Transactions**

The Company is not contemplating any other transactions which have not already been disclosed. The Company continues to look at other property acquisitions and to seek joint venture partners on its properties on a regular basis.

### **Investor Relations**

Investor relations activities are performed by directors and officers of the Company.

### **Financial and Capital Risk Management**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's receivables, due from related party, accounts payable and accrued liabilities and due to related parties approximate carrying value, which is the amount payable on the consolidated statements of financial position. The Company's other financial instruments, cash and cash equivalents, under the fair value hierarchy are based on level one quoted prices in active markets for identical assets or liabilities.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

*Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash and cash equivalents are held at a large Canadian financial institution in interest bearing accounts. The Company has no investment in asset backed commercial paper.

The Company's receivables consist mainly of Goods and Services Tax receivable from the government of Canada and interest on short-term investments held by the Company's bank. As such, the Company does not believe it is subject to significant credit risk.

*Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2014, the Company had a cash and cash equivalent balance of \$1,913,978 to settle current liabilities of \$143,392. Management believes that it has sufficient funds to meet its current liabilities as they become due.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company has cash balances. The interest earned on the cash balances approximates fair value rates, and the Company is not at a significant risk to fluctuating interest rates. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents and accounts payable and accrued liabilities that are denominated in United States dollars ("US\$"). A 10% fluctuation in the US\$ against the Canadian dollar would affect net loss for the period by approximately \$189,000.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

*Capital management*

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and evaluation of its exploration and evaluation assets, acquire additional exploration and evaluation assets, and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

### **Adoption of New Standards and Interpretations, and Recent Accounting Pronouncements**

The adoption of the following new IFRS pronouncements did not have an effect on the Company's consolidated financial statements:

- IAS 32, "Financial Instruments: Presentation" was adopted by the Company on January 1, 2014. IAS 32 applies to the offsetting of financial assets and financial liabilities.

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that have not yet been adopted by the Company and are being evaluated to determine their impact.

- IAS 36, "Impairment of Assets" is effective for annual periods beginning on or after July 1, 2014.
- IFRS 7, "Financial Instruments: Disclosures" (amendments) is effective for annual periods beginning on or after January 1, 2015.
- IFRS 9, "Financial Instruments: Classification and Measurement" is effective for annual periods beginning on or after January 1, 2018.

### **Forward Looking Statements**

Information set forth in this MD&A may involve forward-looking statements under applicable securities laws. Forward-looking statements are statements that relate to future, not past, events. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as "anticipate", "believe", "plan", "estimate", "expect", and "intend", statements that an action or event "may", "might", "could", "should", or "will" be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein including, without limitation; statements about the size and timing of future exploration on and the development of the Company's properties are forward-looking statements. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following risks: the need for additional financing; operational risks associated with mineral exploration; fluctuations in commodity prices; title matters; environmental liability claims and insurance; reliance on key personnel; the potential for conflicts of interest among certain officers, directors or promoters with certain other projects; the volatility of the Company's common share price and volume and other reports and filings with the TSX Venture Exchange and applicable Canadian securities regulations. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date that statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable securities laws. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies the Company is bound. Investors are cautioned against attributing undue certainty to forward-looking statements.

The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR ([www.SEDAR.com](http://www.SEDAR.com)).