

# **LATERAL GOLD CORP.**

## **Management's Discussion and Analysis**

### **For the Year Ended June 30, 2015**

The following management's discussion and analysis of financial results ("MD&A") provides analysis of the Company's financial results for the year ended June 30, 2015 and should be read in conjunction with the accompanying audited consolidated financial statements and notes thereto for the year ended June 30, 2015, which is available on SEDAR at [www.sedar.com](http://www.sedar.com). This MD&A is current as at July 23, 2015, being the date of preparation.

Management is responsible for the preparation and integrity of its financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including that within its consolidated financial statements and MD&A are complete and reliable.

All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted. This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be inaccurate and actual results may differ materially from those anticipated in the statements made.

Additional information about Lateral is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Description of Business**

The Company is a public company engaged in the acquisition of new business ventures. The Company trades on the TSX Venture Exchange (the "TSX-V") under the symbol LTG and is continually seeking projects of merit. On April 29, 2015, the Company dissolved its U.S. subsidiary, Lateral Gold Inc.

### **Private Placement**

During the year ended June 30, 2015, the Company completed a non-brokered private placement of 9,000,000 common shares at a price of \$0.06 per common share for gross proceeds of \$540,000. There were no finders' fees associated with this private placement. The Company incurred total share issuance costs of \$8,746, which were comprised of legal and filing fees.

### **Management Change**

On May 28, 2015, the Company announced the appointment of Dr. John Veltheer as President and CEO of the Company, replacing Patrick Abraham. Dr. Veltheer will continue to be a director of the Company. Mr. Abraham will remain as a director of the Company. The Company would like to thank Mr. Abraham for his services as President and CEO.

### **Share Consolidation**

On January 14, 2015, the Company completed a share consolidation on a 10-old for 1-new basis. All common shares, options, warrants, loss per share and weighted average number of shares outstanding have been retroactively restated to reflect the consolidation.

## Results of Operations

During the year ended June 30, 2015 (“current year”), the Company incurred a loss of \$239,843 compared to a loss of \$264,790 incurred during the year ended June 30, 2014 (“comparative year”). The significant changes during the current year compared to the comparative year are as follows:

Consulting fees increased to \$109,206 during the current year. Certain directors and consultants were paid for their services during the current year. No such transactions took place during the comparative year.

Directors’ fees increased to \$20,648 during the current year as one-time fee payments were made to all four former directors. No such transactions took place during the comparative year.

Rent increased to \$9,000 during the current year. On January 1, 2015, the Company commenced paying rent of \$1,500 per month. No such transaction took place during the comparative year.

During the comparative year, the Company wrote-off its accumulated Oakley property exploration and evaluation asset costs totalling \$196,709. No such transaction took place during the current year.

## Fourth Quarter Results

During the fourth quarter of fiscal 2015, the Company incurred a loss of \$65,927 compared to a loss of \$31,821 during the fourth quarter of fiscal 2014. The significant increase in the fourth quarter loss of fiscal 2015 was primarily a result of consulting fees of \$25,000 incurred during the quarter, with no consulting fees paid during the fourth quarter of fiscal 2014.

## Selected Annual Information

	2015	2014	2013
Revenue	\$ Nil	\$ Nil	\$ Nil
Loss from operations	239,843	68,081	175,871
Loss for the year	239,843	264,790	424,498
Loss per share	0.06	0.22	0.36
Total assets	488,766	197,956	476,487
Long-term liabilities	Nil	Nil	Nil

## Summary of Quarterly Results

	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14	Q3-14	Q2-14	Q1-14
Loss for the period (\$)	65,927	102,407	47,976	23,533	31,821	202,926	17,050	12,993
Loss per share (\$)	0.02	0.03	0.01	0.00	0.03	0.17	0.02	0.00

The loss for the fourth quarter of fiscal 2015 decreased to \$65,927 from a loss of \$102,407 incurred during the previous quarter. The change was primarily related to \$75,000 of consulting fees paid during the prior quarter, offset by \$34,206 of consulting fees and the year-end audit accrual of \$7,000 being recorded during the current quarter.

The loss for the third quarter of fiscal 2015 increased to \$102,407 from a loss of \$47,796 incurred during the previous quarter. The change was primarily related to \$75,000 of consulting fees paid during the current quarter.

The loss for the second quarter of fiscal 2015 increased to \$47,796 from a loss of \$23,533 incurred during the previous quarter. The change was primarily related to directors fees incurred during the quarter, and one-time fee payment provided to the Company’s CFO and Corporate Secretary.

The loss for the first quarter of fiscal 2015 decrease to \$23,533 from a loss of \$31,821 incurred during the previous quarter. The change was primarily related to the write-off of additional exploration costs incurred during the previous quarter of \$9,671, and a decrease in professional fees as a result of the Company accruing for its annual audit in the previous quarter.

The loss for the fourth quarter of fiscal 2014 decreased to \$31,821 from a loss of \$202,926 incurred during the previous quarter. The change was primarily related to the write-off of the Company's Oakley exploration and evaluation asset during the previous quarter, totalling \$187,038, compared to a write off of \$9,671 during the current quarter.

The loss for the third quarter of fiscal 2014 increased to \$202,926 from a loss of \$17,050 incurred during the previous quarter. The change was primarily related to the write-off of the Company's Oakley exploration and evaluation asset totalling \$187,038.

The loss for the second quarter of fiscal 2014 increased to \$17,050 from a loss of \$12,993 incurred during the previous quarter. The change was primarily related to filing fees incurred during the current quarter relating to the filing of the Company's audited annual financial statements in October 2013.

The loss for the first quarter of fiscal 2014 decreased to \$12,993 from a loss of \$43,076 incurred during the previous quarter. The change was primarily related to the accrual for audit fees of \$15,000 incurred during the previous quarter, and a decrease in property investigation costs by \$6,937.

### **Liquidity and Solvency**

As at June 30, 2015, the Company had a working capital position of \$474,550 and cash on hand of \$482,690. This compares to a working capital position of \$183,139 and cash on hand of \$195,606 as at June 30, 2014.

Cash increased by \$287,084 during the year ended June 30, 2015 compared to a decrease in cash of \$111,708 during the year ended June 30, 2014. The increase in cash during the year ended June 30, 2015 was due to the receipt of \$531,254 of net proceeds from the issuance of share capital in conjunction with a private placement, offset by \$244,170 used in operating activities. The decrease in cash of \$111,708 during the year ended June 30, 2014 was due to \$67,474 used in operating activities and \$44,234 used in investing activities in connection with the Oakley Project.

In the absence of equity financing, additional alternative financing will be required in the future in order to ensure that the Company remains up to date in its filing obligations.

Cash flow to date has not satisfied the Company's operational requirements. The development of the Company in the future will depend on its ability to obtain additional financings. In the past, the Company has relied on the sale of equity securities and loans from directors or third parties in order to meet its cash requirements. Future developments, in excess of funds on hand, will depend on the Company's ability to obtain financing through additional equity financing or other means. There can be no assurance that the Company will be successful in obtaining any such financing.

### **Related Party Transactions**

During the year ended June 30, 2015, the Company paid or accrued \$38,000 (2014 - \$36,000) for professional fees to a company controlled by Marion McGrath, an officer of the Company.

During the year ended June 30, 2015, the Company paid or accrued \$2,000 (2014 - \$Nil) for professional fees to a company controlled by Mark Gelmon, an officer of the Company.

During the year ended June 30, 2015, the company paid or accrued \$20,648 (2014 - \$Nil) for directors' fees to four directors of the Company.

During the year ended June 30, 2015, the Company paid or accrued \$30,000 (2014 - \$Nil) for consulting fees to John Veltheer, a director of the Company.

During the year ended June 30, 2015, the Company paid or accrued \$30,000 (2014 - \$Nil) for consulting fees to a company controlled by Alex Helm, a director of the Company.

During the year ended June 30, 2015, the Company paid or accrued \$34,206 (2014 - \$Nil) for consulting fees to a company associated with Patrick Abraham, the former CEO of the Company.

During the year ended June 30, 2015, the Company paid or accrued \$Nil (2014 - \$20,235) for geological consulting fees, included in exploration and evaluation assets, to a company controlled by Casey Danielson, a former director of the Company.

As at June 30, 2015, included in accounts payable and accrued liabilities is \$Nil (2014 - \$1,057) due to a company controlled by Casey Danielson, a former director of the Company.

## Financial Instruments

### *Fair value*

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 Company's financial instruments include cash and trade payables. The carrying value of these financial instruments approximates their fair value. Cash is measured based on Level 1 input of the fair value hierarchy.

The following is an analysis of the Company's financial assets measured at fair value as at June 30, 2015 and June 30, 2014:

	As at June 30, 2015		
	Level 1	Level 2	Level 3
Cash	\$ 482,690	\$ -	\$ -

  

	As at June 30, 2014		
	Level 1	Level 2	Level 3
Cash	\$ 195,606	\$ -	\$ -

### *Risk factors*

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

*Credit risk*

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and receivables. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The Company's receivables consist primarily of tax receivables due from federal government agencies. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. As at June 30, 2015, the Company had cash of \$482,690 to settle current liabilities of \$14,216.

*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. Such fluctuations may be significant.

(a) Interest rate risk

The Company has cash balances. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. 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 not currently exposed to significant foreign currency risk on fluctuations in exchange rates as most transactions are denominated in Canadian dollars.

(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 and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company does not hedge its currency risk.

*Capital management*

The capital structure of the Company consists of equity attributable to common shareholders, comprising of issued capital, reserves and deficit.

The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return, and (iii) maintain liquidity.

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 new debt, acquire or dispose of assets or adjust the amount of cash and investments.

The Company is not subject to externally imposed capital restrictions.

### **New Accounting Standards & Recent Pronouncements**

On July 1, 2014, the Company adopted the "Amendment to IAS 32 Financial Instruments: Presentation". There were no adjustments required on the adoption of this amendment.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

The Company has not early adopted these standards and is currently assessing the impact these standards will have on its financial statements:

- i) IFRS 7 (Amendment): Standard amended to clarify requirements for mandatory effective dates and transition disclosures, effective for annual periods beginning on or after January 1, 2015; and
- ii) IFRS 9: New standard that replaced IAS 39 for classification and measurement of financial assets, effective for annual periods beginning on or after January 1, 2018.

### **Risks and Uncertainties**

The business of mineral exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, the Company has no mineral property and is actively seeking a property of merit. Other risks facing the Company include competition for exploration and evaluation assets, environmental risks, fluctuations in metal prices, fluctuations in exchange rates, share price volatility and uncertainty of obtaining additional financing. The Company will require additional capital to pursue its exploration projects. Given the nature of capital market demand for speculative investment opportunities, there is no assurance that additional financing will be available for the appropriate amounts and at the times required. The impact of fluctuations in the price of gold and other minerals is a risk to the Company's ability to advance its properties as well as future profitability and cash flow. As the price for gold and other minerals is denominated in U.S. dollars, the Company is also at financial risk as the currency exchange rate between Canadian and U.S. dollars fluctuates. If the Canadian dollar strengthens against the U.S. dollar, revenue from future gold and other mineral sales, which is generated in U.S. dollars, would convert to fewer Canadian dollars available to pay for operating costs that are almost entirely incurred in Canadian dollars. The ability of the Company's exploration projects to be successfully permitted to be developed as mining projects requires the approval of regulatory agencies which are beyond the Company's control.

### **Contingencies**

The Company is not aware of any contingencies or pending legal proceedings as at the date of this MD&A.

### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements as at the date of this MD&A.

### **Investor Relations**

The Company has no investor relations agreements as at the date of this MD&A.

### **Proposed Transactions**

The Company has not entered into any proposed transaction as at the date of this MD&A.

### **Outstanding Share Data**

As at July 23, 2015, the Company has 10,190,964 common shares issued and outstanding and the following outstanding options and warrants:

#### ***Outstanding Options:***

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
62,770	\$2.50	June 17, 2017

#### ***Outstanding Warrants:***

<u>Number of Warrants:</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
306,108	\$2.50	June 15, 2017

### **Disclaimer**

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. It should be read in conjunction with all other disclosure documents provided by the Company, which can be accessed at [www.sedar.com](http://www.sedar.com). No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

### **Cautionary Statement on Forward Looking Information**

Certain statements in this MD&A constitute forward-looking information. All statements within this MD&A, other than statements of historical facts, that address future exploration drilling, exploration activities and events or developments that the Company expects, are forward-looking statements. In some cases you can identify forward-looking statements by terminology such as “may”, “should”, “expects”, “plans”, “anticipates”,

“believes”, “estimates”, “predicts”, “potential” or “continue” or the negative of those terms or other comparable terminology. Forward-looking statements are based upon the opinions and expectations of the Company as at the effective date of such statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance, and actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested in this MD&A. Forward-looking statements are subject to certain risks and uncertainties (known and unknown) that could cause actual outcomes to differ materially from those anticipated or implied. Risks and uncertainties for the Company include, but are not limited to: the risks associated with mineral exploration; the need for additional financing; fluctuations in commodity prices; title matters; uncertainties and risks related to the Canadian federal and provincial regulatory approval process; environmental liability claims and insurance; reliance on key personnel; the potential for conflicts of interest among certain officers, directors or promoters of the Company with certain other projects; the absence of dividends; competition; dilution; the volatility of the Company’s common share price and volume. There can be no assurance that the Company’s exploration efforts will succeed or that the Company will ultimately achieve commercial success. Accordingly, readers should not place undue reliance upon the forward-looking statements contained in this MD&A and such forward-looking statements should not be interpreted or regarded as guarantees of future outcomes. The Company expressly disclaims any obligation to up-date any forward-looking statements as a result of new information, future events or otherwise.