

LATERAL GOLD CORP.

Management's Discussion and Analysis

For the Six Months Ended December 31, 2015

The following management's discussion and analysis of financial position and results of operations ("MD&A"), prepared as of February 2, 2016, provides an analysis of the financial results of Lateral Gold Corp. ("Lateral" or the "Company") for the six months ended December 31, 2015, and should be read in conjunction with the accompanying unaudited condensed consolidated interim financial statements and notes thereto for the six months ended December 31, 2015 and with the audited consolidated financial statements and notes thereto for the year ended June 30, 2015, all of which are available on SEDAR at www.sedar.com.

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 the consolidated financial statements and MD&A, is complete and reliable.

The accompanying unaudited condensed consolidated interim financial statements for the six months ended December 31, 2015 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee. All amounts are expressed in Canadian dollars, unless otherwise stated.

Additional information about Lateral is available on SEDAR at 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.

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 and per share figures have been retroactively restated to reflect the consolidation.

Results of Operations

Three months ended December 31, 2015

During the three months ended December 31, 2015 (the “current period”), the Company incurred a loss of \$20,333 compared to a loss of \$47,976 incurred during the three months ended December 31, 2014 (the “comparative period”). The significant changes during the current period compared to the comparative period are as follows:

Directors’ fees of \$20,648 were incurred during the comparative period while \$Nil were incurred during the current period, as one-time fee payments were made to four directors (3 of whom resigned in December 2014) during the comparative period.

Rent of \$4,500 was incurred during the current period. On January 1, 2015, the Company commenced paying rent of \$1,500 per month. No such transaction took place during the comparative period.

Six months ended December 31, 2015

During the six months ended December 31, 2015 (the “current six-month period”), the Company incurred a loss of \$47,900 compared to a loss of \$67,009 incurred during the six months ended December 31, 2014 (the “comparative six-month period”). The significant changes during the current six-month period compared to the comparative six-month period are as follows:

Directors’ fees of \$20,648 were incurred during the comparative six-month period while \$Nil were incurred during the current six-month period, as one-time fee payments were made to four directors (3 of whom resigned in December 2014) during the comparative six-month period.

Rent of \$9,000 was incurred during the current six-month period. On January 1, 2015, the Company commenced paying rent of \$1,500 per month. No such transaction took place during the comparative six-month period.

Summary of Quarterly Results

	Q2-16	Q1-16	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14	Q3-14
Loss for the period (\$)	20,333	27,567	65,927	102,407	47,976	19,033	31,821	202,926
Loss per share (\$)	0.00	0.00	0.02	0.03	0.04	0.02	0.03	0.17

Fiscal 2016

The loss for the second quarter of fiscal 2016 decreased to \$20,333 from a loss of \$27,567 incurred during the previous quarter.

The loss for the first quarter of fiscal 2016 decreased to \$27,567 from a loss of \$65,927 incurred during the previous quarter. The change was primarily related to the fact that no consulting fees were paid or accrued during this quarter while consulting fees totalling \$34,206 were incurred during the previous quarter.

Fiscal 2015

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 third quarter.

The loss for the second quarter of fiscal 2015 increased to \$47,796 from a loss of \$19,033 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 \$19,033 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.

Fiscal 2014

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.

Liquidity and Solvency

As at December 31, 2015, the Company had a working capital position of \$426,650 and cash on hand of \$427,613. This compares to a working capital position of \$474,550 and cash on hand of \$482,690 as at June 30, 2015.

The decrease in cash of \$55,077 during the six months ended December 31, 2015 was used for operating activities.

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.

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 six months ended December 31, 2015, the Company:

- Paid or accrued \$18,000 (2014 - \$22,000) for professional fees to iO Corporate Services Ltd., a company controlled by the Company's corporate secretary.
- Paid or accrued \$9,000 (2014 - \$Nil) for rent to a company with a director in common.
- Paid or accrued \$Nil (2014 - \$20,648) for directors' fees.

As at December 31, 2015, there are no amounts owing to related parties (June 30, 2015 - \$Nil).

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, receivables 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 December 31, 2015 and June 30, 2015:

	As at December 31, 2015		
	Level 1	Level 2	Level 3
Cash	\$ 427,613	\$ -	\$ -

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

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 of GST recoverable 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 December 31, 2015, the Company had cash of \$427,613 to settle current liabilities of \$9,279.

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's policy is to invest its excess cash in highly liquid, fully guaranteed, bank-sponsored instruments payable on demand. This strategy is unchanged from fiscal 2015.

The Company is not subject to externally imposed capital restrictions.

New Accounting Standards & Recent Pronouncements

On July 1, 2015, the Company adopted the IFRS 7 (Amendment): Standard amended to clarify requirements for mandatory effective dates and transition disclosures. 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.

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 any future project acquisitions. 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 to 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 February 2, 2016, 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>
47,770	\$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. 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.