



NORTHQUEST LTD.

**INTERIM MANAGEMENT DISCUSSION & ANALYSIS –
QUARTERLY HIGHLIGHTS**

THREE AND SIX MONTHS ENDED DECEMBER 31, 2015

(EXPRESSED IN CANADIAN DOLLARS)

Introduction

The following interim Management Discussion & Analysis (“Interim MD&A”) of Northquest Ltd. (“Northquest” or the “Corporation”) for the three and six months ended December 31, 2015 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Corporation since its last annual management discussion & analysis, being the Management Discussion & Analysis (“Annual MD&A”) for the fiscal year ended June 30, 2015. This Interim MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since date of the Annual MD&A.

This Interim MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – *Continuous Disclosure Obligations*. This discussion should be read in conjunction with the Corporation’s Annual MD&A, audited annual consolidated financial statements for the years ended June 30, 2015, and June 30, 2014, together with the notes thereto, and unaudited condensed interim consolidated financial statements for the three and six months ended December 31, 2015, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Corporation’s unaudited condensed interim consolidated financial statements and the financial information contained in this Interim MD&A are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Accordingly, information contained herein is presented as of February 23, 2016, unless otherwise indicated.

For the purposes of preparing this Interim MD&A, management, in conjunction with the Board of Directors (the “Board”), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Northquest common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Corporation and its operations can be obtained from the offices of the Corporation or on SEDAR at www.sedar.com.

Cautionary Note Regarding Forward-Looking Information

Certain statements contained in this Interim MD&A and in certain documents incorporated by reference in this Interim MD&A, constitute forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as “forward-looking statements”). These statements relate to future events or the Corporation’s future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this Interim MD&A speak only

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as of the date of (i) this Interim MD&A or (ii) as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this Interim MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Forward-looking statements	Assumptions	Risk factors
<p>Potential of Northquest’s property to contain economic deposits of gold and/or other metals and the potential completion of an initial resource estimate at the Pistol Bay Project (as described under the headings “Description of Business”, “Operational Highlights”, “Financial Highlights” and “Subsequent Events”).</p>	<p>Financing will be available for future exploration of Northquest’s property; the actual results of Northquest’s exploration activities will be favourable; operating, exploration costs will not exceed Northquest’s expectations; the Corporation will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to Northquest, and applicable political and economic conditions will be favourable to Northquest; the price of gold and/or other applicable metals and applicable interest and exchange rates will be favourable to Northquest; no title disputes exist with respect to the Corporation’s property.</p>	<p>Gold price volatility; uncertainties involved in interpreting geological data and confirming title to acquired property; the possibility that future exploration results will not be consistent with Northquest’s expectations; availability of financing for and actual results of Northquest’s exploration activities; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Corporation’s ability to retain and attract skilled staff; availability of permits.</p>
<p>Corporation’s estimated head office costs for fiscal 2016 and need to raise capital in order to meet its working capital needs (as described under the headings “Financial Highlights” and “Outlook”).</p>	<p>The operating and exploration activities of the Corporation on a going forward basis, and the costs associated therewith, will be consistent with Northquest’s current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions will be favourable to Northquest; availability of financing.</p>	<p>Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; interest rate and exchange rate fluctuations; changes in economic conditions and planned operations.</p>
<p>Plans, costs, timing and capital for future exploration of Northquest’s property interests, including the costs and potential impact of complying with existing and proposed laws and regulations (as described under the headings “Description of Business”, “Trends”, “Outlook”, “Financial Highlights”, “Liquidity and Financial Position” and “Subsequent Events”).</p>	<p>Financing will be available for Northquest’s exploration activities and the results thereof will be favourable; actual operating and exploration costs will be consistent with the Corporation’s current expectations; the Corporation will be able to retain and attract skilled staff; all applicable regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to Northquest; the Corporation will</p>	<p>Gold price volatility; changes in debt and equity markets; timing and availability of external financing on acceptable terms; the uncertainties involved in interpreting geological data and confirming title to acquired property; the possibility that future exploration results will not be consistent with Northquest’s expectations; increases in costs; environmental compliance and changes in environmental and other local legislation and</p>

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	not be adversely affected by market competition; debt and equity markets, exchange and interest rates and other applicable economic and political conditions will be favourable to Northquest; the price of gold and/or other applicable metals will be favourable to Northquest; no title disputes exist with respect to Northquest's property.	regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Corporation's ability to retain and attract skilled staff; receipt of permits.
Management's outlook regarding future trends and potential future acquisitions and financings (as described under the headings "Trends" and "Financial Highlights").	Financing will be available for Northquest's exploration and operating activities; the price of gold and/or other applicable metals will be favourable to Northquest.	Gold price volatility; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions; availability of financing.
Prices and price volatility for gold (as described under the headings "Trends" and "Outlook").	The price of gold will be favourable; debt and equity markets, interest and exchange rates and other economic factors which may impact the price of gold will be favourable.	Changes in debt and equity markets and the spot price of gold; interest rate and exchange rate fluctuations; changes in economic and political conditions.
The potential of any take-over bid for the common shares of the Corporation including without limitation, with respect to the Offer (as defined herein) (as described under the headings "Operational Highlights", "Subscription Agreement" and "Subsequent Events").	The Offer will be effected in accordance with the terms of the subscription agreement dated June 1, 2015 between the Corporation and Nord Gold N.V. ("Nordgold") or at all.	Changes in debt and equity markets and any agreed upon terms for a potential take-over bid; adjustments in the pricing and timing of any potential take-over bid; interest rate and exchange rate fluctuations; changes in economic and political conditions; the extent to which shareholders may choose to tender their common shares to any such take-over bid.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond Northquest's ability to predict or control. Please also make reference to those risk factors referenced in the "Risks and Uncertainties" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Interim MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Northquest's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Corporation undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Corporation does update one or more forward-looking statements, no inference should be

drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Description of Business

Northquest was incorporated in Ontario on March 18, 2008. Its wholly-owned subsidiary Singquest Pte. Ltd. was incorporated in Singapore, on February 22, 2012. The primary business of the Corporation is mineral exploration and evaluation. The primary activities of the Corporation are the selection, acquisition, and exploration of mineral properties. The primary office of the Corporation is located at Suite 101, 50 Richmond Street East, Toronto, Ontario (Canada), M5C 1N7.

The Corporation is not a cash-flow-generating entity and its ability to continue operations is dependent on its success in securing adequate financing to sustain its activities and eventually attain profitable future operations or positive cash flows. Given the nature of the Corporation's activities to date, Northquest is a speculative investment because of the exploration risk in defining new resources and the financing risk.

Northquest's goal is to deliver superior returns to shareholders by concentrating on the identification, acquisition and exploration of properties that have the potential to contain gold and other metals. The Corporation currently plans to focus on one gold exploration project (the "Pistol Bay Project") in Nunavut, Canada.

As at December 31, 2015, approximately 51.54% of the Corporation's issued and outstanding shares are owned by Nordgold. Refer to heading "Subscription Agreement" below for further details.

Operational Highlights

Corporate

On November 25, 2015, Nordgold exercised an aggregate of 17,500,000 warrants of the Corporation. Of this total, 5,000,000 warrants have been exercised at a price of \$0.27 per share, 11,111,111 warrants have been exercised at a price of \$0.30 per share, and 1,388,889 warrants have been exercised at a price of \$0.24 per share, resulting in aggregate subscription proceeds of \$5,016,666. Prior to the exercise of the warrants, Nordgold owned and controlled an aggregate of 38,074,999 common shares of the Corporation, representing approximately 42.9% of the issued and outstanding common shares. Following the exercise of the warrants, Nordgold owns and controls an aggregate of 55,574,999 common shares, representing approximately 51.54% of all issued and outstanding common shares at December 31, 2015. Refer to heading "Subscription Agreement" for further details.

On December 15, 2015, the Corporation acknowledged that Nordgold had announced its intention to make an all-cash offer for all of the issued and outstanding common shares of the Corporation not already owned by Nordgold at a price of \$0.253 per common share (the "Offer"). Nordgold has also announced its intention to requisition a special meeting of the shareholders of the Corporation for the election of a new slate of directors to the Northquest board. Refer to heading "Subscription Agreement" below for further details.

On January 8, 2016, the Corporation called a special meeting of shareholders of the Corporation to take place on May 2, 2016. Refer to heading "Subsequent Events" below for further details.

Exploration update

Information relating to exploration results is based on data collected under the supervision of Jon North, P.Geo., who holds the position of President and Chief Executive Officer (“CEO”) of the Corporation and is a Qualified Person within the meaning of National Instrument 43-101. Mr. North has approved the disclosure contained under the subheading “Exploration update” under the heading “Operational Highlights” and has verified the scientific and technical data contained herein.

During the six months ended December 31, 2015, the Corporation expensed \$3,111,114 on exploration and evaluation expenditures, compared to \$2,603,343 during the six months ended December 31, 2014. The increase is primarily due to the timing of the Corporation’s exploration program on the Pistol Bay Project, as well as having sufficient funds to pursue the exploration program. Refer to subheading “Liquidity and Financial Position” under heading “Financial Highlights” below for a summary of the Corporation’s exploration program at the Pistol Bay Project.

In the past six months the Corporation completed 34 drill holes for a total of 8,133 metres of drilling. All but two of the holes were drilled at the Vickers Zone that was extended in known strike length from approximately 400 metres to 700 metres and the gold zone is open to the east and at depth. A glacial till geochemical survey using the frost boil sampling method was completed and a gold dispersion train was discovered at the new Howitzer Target. Additional drilling will be required at the Vickers Zone and the Howitzer Target in 2016.

Trends

Due to gold price decline, market participants have re-evaluated their positions and are exercising far greater discipline, caution and depth of analysis when evaluating current and future investment opportunities. Merger and acquisition activity has slowed, share prices for resource companies are down, resource funds have experienced significant redemptions as investors reallocate their funds, and the ability to raise equity financing for exploration projects has been substantially curtailed. As a result, funding for junior exploration companies remains difficult in the current economic environment resulting in management decisions to modify programs and their time frames for completion.

Apart from these and the risk factors noted under the heading “Risks and Uncertainties” and “Cautionary Note Regarding Forward-Looking Information”, management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Corporation’s business, financial condition or results of operations.

Technical Report

The Corporation has one exploration project; the Pistol Bay Project in Nunavut Territory, Canada. A detailed description of the project was published in the Technical Report entitled “Technical Report on the Pistol Bay Project of Northquest Ltd.” and dated March 21, 2014, which report is available in the Corporation’s website www.northquest.biz and at www.sedar.com.

Related Party Transactions

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

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The below noted transactions are in the normal course of business and are measured at fair value, the amount as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

(a) Northquest entered into the following transactions with related parties:

	Three Months Ended December 31, 2015 (\$)	Three Months Ended December 31, 2014 (\$)	Six Months Ended December 31, 2015 (\$)	Six Months Ended December 31, 2014 (\$)
Marrelli Support Services Inc. ("Marrelli Support") (i)	11,296	10,670	22,419	27,466
DSA Corporate Services Inc. ("DSA") (ii)	3,294	2,967	5,260	8,602
Dwayne Car (iii)	15,900	30,044	15,900	73,126

(i) During the three and six months ended December 31, 2015, the Corporation paid professional fees of \$11,296 and \$22,419, respectively (three and six months ended December 31, 2014 - \$10,670 and \$27,466, respectively) to Marrelli Support, an organization of which Carmelo Marrelli is president. Mr. Marrelli is the Chief Financial Officer ("CFO") of the Corporation. These services were incurred in the normal course of operations for general and accounting and financial reporting matters. Marrelli Support also provides bookkeeping services to the Corporation. All services were made on terms equivalent to those that prevail with arm's length transactions. As at December 31, 2015, Marrelli Support was owed \$2,404 (June 30, 2015 - \$8,427) and this amount was included in accounts payable and other liabilities.

(ii) During the three and six months ended December 31, 2015, the Corporation paid professional fees of \$3,294 and \$5,260, respectively (three and six months ended December 31, 2014 - \$2,967 and \$8,602, respectively) to DSA, an organization of which Mr. Marrelli controls. Mr. Marrelli is also the corporate secretary and sole director of DSA. These services were incurred in the normal course of operations for corporate secretarial matters. All services were made on terms equivalent to those that prevail with arm's length transactions. As at December 31, 2015, DSA was owed \$1,372 (June 30, 2015 - \$749) and this amount was included in accounts payable and other liabilities.

(iii) Dwayne Car, as Vice President of Exploration, provided geological consulting services for the Pistol Bay Project. The amounts charged by Dwayne Car are conducted on normal market terms and are recorded at fair value. As at December 31, 2015, Dwayne Car was owed \$nil (June 30, 2015 - \$25,147) and this amount was included in accounts payable and other liabilities.

(iv) On July 14, 2014, the Corporation closed a non-brokered private placement pursuant to which Northquest issued an aggregate of 10,000,000 units to Nordgold at a price of \$0.20 per unit to raise aggregate gross proceeds of \$2,000,000. On November 26, 2014, the Corporation closed a non-brokered private placement pursuant to which Northquest issued an aggregate of 3,075,000 common shares to Nordgold at a price of \$0.12 to raise aggregate gross proceeds of \$369,000.

(v) On November 25, 2015, Nordgold exercised an aggregate of 17,500,000 warrants of the Corporation. Of this total, 5,000,000 warrants have been exercised at a price of \$0.27 per share, 11,111,111 warrants have been exercised at a price of \$0.30 per share, and 1,388,889 warrants have been exercised at a price of \$0.24 per share, resulting in aggregate subscription proceeds of \$5,016,666. Prior to the exercise of the warrants, Nordgold owned and controlled an aggregate of

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38,074,999 common shares of the Corporation, representing approximately 42.9% of the issued and outstanding common shares. Following the exercise of the warrants, Nordgold owns and controls an aggregate of 55,574,999 common shares, representing approximately 51.54% of all issued and outstanding common shares at December 31, 2015. Refer to heading “Subscription Agreement” for further details.

In addition, on December 21, 2015, Mr. Marrelli exercised 45,454 warrants at an exercise price of \$0.15 and on December 22, 2015, Dwayne Car exercised 75,000 warrants at an exercise price of \$0.15 for total cash proceeds of \$18,068.

(vi) As of December 31, 2015, 55,574,999 common shares are held by Nordgold (51.54% of shares outstanding as at such date). The remaining 48.46% of the common shares are widely held, except for small positions held by directors and officers of the Corporation. These holdings can change at any time at the discretion of the owner. Refer to heading “Subscription Agreement” below for further details.

(b) Remuneration of directors and key management personnel, other than consulting fees, of the Corporation was as follows:

Name and Title	Three Months Ended December 31, 2015			Three Months Ended December 31, 2014		
	Salaries and Benefits (\$)	(i) (\$)	Total (\$)	Salaries and Benefits (\$)	(i) (\$)	Total (\$)
Jon North, President & CEO	237,500	6,938	244,438	50,000	18,091	68,091
Sofia Tsakos, Director	28,500	462	28,962	nil	236	236
Eric Klein, Director	29,000	462	29,462	nil	236	236
Carmelo Marrelli, CFO	nil	462	462	nil	236	236
Dwayne Car, Vice President, Exploration	nil	462	462	nil	1,180	1,180
Robert Hodder, Director	28,375	462	28,837	nil	1,652	1,652
Total	323,375	9,248	332,623	50,000	21,631	71,631

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Name and Title	Six Months Ended December 31, 2015			Six Months Ended December 31, 2014		
	Salaries and Benefits (\$)	(i) (\$)	Total (\$)	Salaries and Benefits (\$)	(i) (\$)	Total (\$)
Jon North, President & CEO	300,000	18,284	318,284	100,000	43,750	143,750
Sofia Tsakos, Director	32,000	1,145	33,145	7,000	850	7,850
Eric Klein, Director	33,000	1,145	34,145	7,500	850	8,350
Carmelo Marrelli, CFO	nil	1,145	1,145	nil	850	850
Dwayne Car, Vice President, Exploration	nil	2,027	2,027	nil	4,253	4,253
Robert Hodder, Director	31,750	2,468	34,218	6,250	5,953	12,203
Total	396,750	26,214	422,964	120,750	56,506	177,256

(i) Stock-based compensation

Several variables are used when determining the value of stock options using the Black-Scholes option pricing model:

- The expected term: the Corporation used the expected terms of five years, which is the maximum term ascribed to the stock options issued, for the purposes of calculating their value. The Corporation chose the maximum term because it is difficult to determine with any reasonable degree of accuracy when these stock options will be exercised.
- Volatility: the Corporation used historical information on the market price of its common shares to determine the degree of volatility at the date the stock options were granted. Therefore, depending on when the stock options are granted and the period of historical information examined, the degree of volatility can be different when calculating the value of different stock options.
- Risk-free interest rate: the Corporation used the interest rate available for government securities of an equivalent expected term at the date of the grant of the stock options. The risk-free interest rate will vary depending on the date of the grant of the stock options and their expected term.
- Dividend yield: the Corporation has not paid dividends in the past because it is in the exploration stage and has not yet earned any significant income. Also, the Corporation does not expect to pay dividends in the foreseeable future because it does not expect to bring its mineral property into production and earn significant revenue any time soon. Therefore, a dividend rate of 0% was used for the purposes of the valuation of the stock options.

The Board and certain officers do not have employment or service contracts with the Corporation. Directors are entitled to director fees, special committee fees and stock options for their services and officers are entitled to stock options and cash remuneration for their services, all at the discretion of

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the Board. As of December 31, 2015, the CEO of the Corporation was owed \$175,000 (June 30, 2015 - \$50,000) and directors were owed \$67,500 (June 30, 2015 - \$nil).

Financial Highlights

Financial Performance

Northquest's net loss totalled \$1,128,938 for the three months ended December 31, 2015, with basic and diluted loss per share of \$0.01. This compares with a net loss of \$651,787 with basic and diluted loss per share of \$0.01 for the three months ended December 31, 2014. The Corporation had no revenue in both periods presented. The increase of \$477,151 in net loss was principally due to the following:

- The increase in exploration and evaluation expenditures of \$62,246 for the three months ended December 31, 2015, compared to the three months ended December 31, 2014, can be attributed to the increased exploration and evaluation expenditures related to the Pistol Bay Project. Refer to subheading "Liquidity and Financial Position" under heading "Financial Highlights" for a summary of the Corporation's exploration program at the Pistol Bay Project.
- Share-based compensation decreased in the three months ended December 31, 2015, to \$11,022 compared with \$21,725 for the same period in 2014. The decrease is due to the timing of expensing the estimated fair value of stock options granted in prior and current periods. The Corporation expenses its stock options in accordance with the vesting terms of the stock options granted.
- Northquest is always researching new projects for potential acquisition. The emphasis is on gold projects in Canada and elsewhere. During the three months ended December 31, 2015, the Corporation spent \$15,000 (three months ended December 31, 2014 - \$nil) on these research costs.
- General and office increased by \$411,045 for the three months ended December 31, 2015, compared to the three months ended December 31, 2014, and consisted of costs such as advertising and promotion, telephone, rent, travel, insurance, postage and courier charges. The increase is attributable to higher expenses related to the Offer from Nordgold.
- All other expenses related to general working capital expenditures.

Northquest's total assets at December 31, 2015 were \$5,951,969 (June 30, 2015 - \$4,514,370) against total liabilities of \$404,014 (June 30, 2015 - \$395,025). The increase in total assets of \$1,437,599 resulted from cash received from the exercise of warrants which was offset by cash spent on exploration and evaluation expenditures and operating costs. The Corporation has sufficient current assets to pay its existing liabilities of \$404,014 at December 31, 2015.

Cash Flow

At December 31, 2015, the Corporation had working capital of \$5,483,241, compared to working capital of \$4,045,386 at June 30, 2015. The Corporation had cash and cash equivalents of \$5,638,120 at December 31, 2015, compared to \$4,327,363 at June 30, 2015. The increase in working capital and in cash and cash equivalents is primarily due to cash received from exercise of warrants which was offset by cash spent on exploration and evaluation expenditures and operating expenditures.

Liquidity and Financial Position

The Corporation derives no income from operations, as all of its projects since inception have been exploration projects. Accordingly, the activities of the Corporation have been financed by cash raised through private placements of securities, the exercise of warrants and its initial public offering. As the Corporation does not expect to generate cash flows from operations in the near future, it will continue to rely primarily upon the sale of securities to raise capital. As a result, the availability of financing, as and when needed, to fund the Corporation's activities cannot be assured. See "Risks and Uncertainties" below.

On July 6, 2015, the Corporation received approval from TSX Venture Exchange ("TSXV") to further extend the terms of the following warrants: (i) an aggregate of 1,321,250 share purchase warrants ("Series 2012 Warrants") which were originally issued in connection with the private placement completed on July 25, 2012, and were exercisable at \$0.50 per share until July 25, 2015 (subject to acceleration); (ii) an aggregate of 1,180,000 share purchase warrants ("Series 2012 FT Warrants") which were originally issued in connection with the flow-through private placement on July 25, 2012, and were exercisable at \$0.50 per share until July 25, 2015 (subject to acceleration); and (iii) an aggregate of 59,374 Series 2012 Warrants which were issuable upon the exercise of certain broker warrants of the Corporation. The expiry dates of each of the Series 2012 Warrants and Series 2012 FT Warrants were extended to July 25, 2016, subject to certain acceleration provisions. The exercise price of the Series 2012 Warrants and Series 2012 FT Warrants remained the same.

The Corporation is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSXV which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2015, the Corporation is compliant with TSXV Policy 2.5.

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The following table summarizes the Corporation's current exploration programs at the Pistol Bay Project, total estimated cost to complete each exploration program, and total expenditures incurred to date.

Exploration Program (expected completion)	Activities Completed (Six months ended December 31, 2015)	Plans for the Project	(A) Estimated Cost to Complete (approx.)	(B) Spent (approx.)
Pistol Bay Exploration	In the period July to December 2015 the Corporation completed 8,133 metres of diamond drilling in 34 drill holes of which 32 drill holes were drilled at the Vickers Target and 2 drill holes (295 metres total) were drilled at the Bazooka Target. The Corporation also completed a program of till sampling down ice of several prospective target areas including the Bazooka, Vickers, and Sako areas. A gold dispersion train was discovered near the Bazooka area known as the Howitzer Anomaly 14 kilometres northwest of the Vickers Zone. The anomaly has an indicated width of approximately 1 kilometre and very high gold grain counts that define a very prospective drilling target for 2016. ⁽¹⁾⁽²⁾	Additional drilling to continue extending the Vickers Zone to the east and at depth and additional reconnaissance scout drilling. Drilling will also be required at the Hoitzer gold dispersion train anomaly 14 kilometres northwest of the Vickers gold zone.	\$5.0 million	\$3.11 million ⁽³⁾
Subtotals			\$5.0 million	\$3.11 million
Total (A+B)				\$8.11 million

Notes:

- (1) Information relating to exploration results is based on data collected under the supervision of Jon North, P.Geol., who holds the position of President and CEO of the Corporation and is a Qualified Person within the meaning of National Instrument 43-101. Mr. North has approved the disclosure contained in the table and has verified the scientific and technical data contained herein.

- (2) Potential quantity and grade is conceptual in nature. There has been insufficient exploration to define a mineral resource on any of the Corporation's properties to date, and it is uncertain if further exploration will result in any such target being delineated as a mineral resource.
- (3) Funds spent during the six months ending December 31, 2015.

During fiscal 2016, the Corporation's corporate head office costs are estimated to average less than \$180,000 per quarter. Head office costs include professional fees, reporting issuer costs, business development costs and general and administrative costs. Head office costs exclude property research and area selection costs. The cost of acquisition and work commitments on the new acquisitions cannot be accurately estimated.

Based on the Corporation's working capital of \$5,483,241 at December 31, 2015 (June 30, 2015 – \$4,045,386), the Corporation will have to raise equity capital in fiscal 2016 in amounts sufficient to fund both planned exploration work and working capital. The major variables are expected to be the size, timing and results of the Corporation's exploration program and its ability to continue to access capital to fund its ongoing operations. The Corporation's cash and cash equivalents at December 31, 2015 are not anticipated to be sufficient to fund its remaining exploration budget of \$5.0 million, accounts payable and other liabilities of \$404,014 and estimated remaining operating expenses of \$360,000 (\$180,000 per quarter), for fiscal 2016. See "Risks and Uncertainties".

Outlook

The Corporation intends to continue exploring the Pistol Bay Project. In addition, management will review project submissions, and conduct independent research, for projects in such jurisdictions and commodities as it may consider prospective.

The Corporation will need to secure additional financing to meet its ongoing obligations; however, there is no assurance that the Corporation will be able to do so. See "Trends" and "Risks and Uncertainties".

Risks and Uncertainties

An investment in the securities of the Corporation is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Corporation and its financial position. Please refer to the section entitled "Risks and Uncertainties" in the Corporation's Annual MD&A for the fiscal year ended June 30, 2015, available on SEDAR at www.sedar.com.

Disclosure of Internal Controls

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements, and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects

the financial condition, results of operations and cash flow of the Corporation, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the unaudited condensed interim consolidated financial statements for external purposes in accordance with the issuer's GAAP (IFRS).

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Commitment

Pursuant to the terms of a lease agreement, the Corporation is committed to paying monthly lease payments until October 31, 2016 with a minimum annual amount of \$77,583.

Additional Information

Additional information concerning the Corporation is available on Sedar at www.sedar.com.

Subscription Agreement

On December 15, 2015, the Corporation announced that Nordgold had announced its intention to make an all-cash Offer for all of the issued and outstanding common shares of the Corporation not already owned by Nordgold at a price of \$0.253 per common share. Nordgold had also announced its intention to requisition a special meeting of the shareholders of the Corporation for the election of a new slate of directors to the Corporation Board.

As a result of Nordgold's holdings increasing to more than 50% of the common shares, Nordgold is required to make a takeover bid in accordance with applicable law for the common shares it does not hold, pursuant to the subscription agreement between the Corporation and Nordgold dated June 1, 2015 (the "Subscription Agreement"). In accordance with the terms and conditions of the Subscription Agreement, the takeover bid is required to be made at a price per common share at least equal to the greater of (a) \$0.25 per common share, or (b) the price per common share that represents a 25% premium to the market price of the common shares, calculated by reference to the 20 day volume

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weighted average price ending on the trading day immediately preceding the day that Nordgold's shareholding exceeds 50% of the common shares.

While Nordgold has indicated that it intends to make the Offer to shareholders of the Corporation, the Corporation notes that this announcement does not constitute a formal offer and there is no guarantee that any formal offer will ultimately be made to shareholders in a timely fashion or at all or as to the conditions of any such formal offer.

The Corporation has formed a special committee of its Board of Directors (the "Special Committee"). The Special Committee is in the process of reviewing and evaluating the announcement with its financial and legal advisors and will communicate with shareholders of the Corporation in accordance with applicable securities laws. The Corporation recommends that shareholders take no action until the Board of Directors of the Corporation makes a recommendation as to the merits of the Offer.

The Special Committee has retained Bennett Jones LLP as its legal advisor and Maxit Capital LP as its financial advisor. A formal offer is subject to completion of a formal valuation as required pursuant to Multilateral Instrument 61-101 ("MI 61-101") given any Offer would constitute an "insider bid" within the meaning of MI 61-101. A formal valuation would be made available to shareholders of the Corporation to consider in the course of their determination as to whether to tender their common shares under any formal offer.

The announcement of Nordgold also indicated that it intends to requisition a special meeting of the shareholders of the Corporation in order to elect a new slate of directors to the Corporation Board.

Refer to heading "Subsequent Events" for further details.

Subsequent Events

(i) On January 8, 2016, the Corporation announced that it had called a special meeting of shareholders of the Corporation to take place on May 2, 2016. The special meeting was called in response to a requisition received from Nordgold in relation to an election of the Corporation's directors.

(ii) On January 10, 2016, 87,500 stock options with an exercise price of \$0.71 expired unexercised.

(iii) On February 4, 2016, 200,000 stock options with an exercise price of \$0.70 expired unexercised.