BANKS
ISLAND GOLD LTD.

Management's Discussion and Analysis
For the six months ended August 31, 2015
(Expressed in Canadian Dollars)

1. General

This Management Discussion and Analysis ("MD&A") of Banks Island Gold Ltd. (the "Company") should be read in conjunction with the Company's condensed interim financial statements and related notes for the six months ended August 31, 2015. The Company's condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, 'Interim Financial Reporting'. This MD&A should also be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended February 28, 2015, prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts included therein and in this MD&A are expressed in Canadian Dollars unless otherwise noted. This MD&A contains forward-looking statements that are subject to risks and uncertainties set out in the cautionary note contained in this MD&A. All dollar figures are expressed in Canadian dollars, the Company's functional currency, unless otherwise noted.

The information contained within this MD&A is current to October 29, 2015. Additional information about the Company and its business activities is available on SEDAR at www.sedar.com.

2. Highlights

Key highlights for the three months ended August 31, 2015 and the subsequent weeks include:

- In the three months ended August 31, 2015, 3,192 payable gold equivalent ounces ("Aueq") were sold at an average realized price of $1,418/oz. Gold equivalent is calculated by converting payable silver ounces at a ratio of 65:1 to payable gold ounces.
- Revenue, net of treatment of refining charges, from the sale of concentrates for the three months ended August 31, 2015, was $3,566K.
- Loss from mine operations for the three months ended August 31, 2015, was $1,534K, loss from mine operations adjusted for non-cash amounts for depreciation, depletion and share-based compensation meant the Company had adjusted cash loss from mine operations of $218K.
- A stop work order was issued by the BC Ministry of Energy and Mines ("MEM") on July 16, 2015, resulting in the Yellow Giant mine being put on Care and Maintenance until such time revised Sediment Control, Water Management and Tailings Management plans are reviewed and approved by the MEM. The Company is actively working with the MEM to address outstanding permit issues to allow the stop work order to be lifted and resume mining operations.
- On September 15, 2015, the Company entered into an agreement with MCC Non Ferrous Trading Inc. ("MCC") to amend the original sale and purchase agreement between the parties, resulting in MCC advancing an additional US $1.4 million to the Company for work towards the restart of the Yellow Giant mine.

3. Business overview

The Company was incorporated on January 18, 2011 in British Columbia, Canada and is a natural resource company engaged primarily in acquisition, exploration, development and operation of mineral properties. The Company began trading on the TSX Venture Exchange on October 28, 2011 under the trading symbol "BOZ".

After successfully acquiring the mineral rights to the Yellow Giant Mineral Property ("Yellow Giant"), raising sufficient capital to conduct an exploration program thereon and acquiring the necessary mining and environmental permits, the Company declared commercial production effective January 1, 2015. The Company put Yellow Giant into commercial production without first establishing mineral reserves as supported by a National Instrument ("NI") 43-101 compliant technical report and feasibility study of mineral reserves with demonstrated economic and technical viability. The Company cautions readers that such production may not be economically feasible and historically such projects have a much higher risk of economic or technical failure.

The Company's primary goal is that of profitable growth to maximize long-term shareholder value. Management's specific objectives are to grow production and earnings from existing mining operations and realize positive cash flow while continuing to actively develop existing projects and pursue the acquisition of new mining operations and exploration and development opportunities.

4. Corporate developments

Effective July 5, 2015, the Board of Directors appointed Mr. Saurabh Handa, as the Chief Financial Officer for the Company. Effective July 28, 2015, Mr. Handa resigned as Director and Chief Financial Officer and Mr. Craig Kalnin was appointed Chief Financial Officer.

Effective September 17, 2015, Mr. Wolf Nickel stepped down as Chairman of the Board and was appointed Chairman Emeritus. Mssrs. Benjamin Mossman, Jason Nickel and Frederick Sveinson were re-elected as directors. Mssrs. John Anderson and Lawrence Page were elected to the Board with Mr. Anderson appointed Chairman.

Mr. Kalnin resigned as Chief Financial Officer on October 13, 2015. Mr. Benjamin Mossman has been appointed Interim Chief Financial Officer until a replacement for Mr. Kalnin is found. A description of the background and experience of the Company's management and Directors can be found on the corporate website at www.banksislandgold.com.

5. Future outlook

As a result of the suspension of mining and processing activity at the Company's Yellow Giant mine, uncertain timelines for successful permit amendments and a working capital deficiency, the Company needs to seek additional financing arrangements. The inability to raise additional funding in a timely manner, at terms acceptable to the Company, would cast significant doubt on the Company's ability to continue as a going concern.

As at August 31, 2015, the Company had a working capital deficiency of $10.5M

The Yellow Giant Gold Project achieved commercial production in January 2015 and achieved record production of 1,863oz gold in June 2015 before suspension of operations on July 31st 2015 due to regulatory issues. The Company believes strongly in the potential for Yellow Giant and is working diligently to restart operations as soon as possible.

The Discovery Zone is substantially developed and is ready for production immediately upon receipt of the required permit amendment from the BC Ministry of Mines. The preparation of the application for this amendment is in progress and will be submitted as soon as possible.

The permit amendment application does not require any new area of disturbance or infrastructure. Discovery mineralization will be processed at the existing plant, rock from mine development will used for construction of permitted drill trails, groundwater will be pumped to the permitted discharge outlet in Barge Channel, and all tailings will be backfilled to the underground mine at the Tel Zone.

The main decline for mining of the Discovery Zone resource is 75% complete with 100m of development required to reach the 4th level of the Zone. Two levels in mineralization are fully complete and the third level partially completed. Production drilling of the second level stope is fully complete and ready for blasting. As disclosed by news release on July 7th 2015, chip samples from the 1st and 2nd levels indicate an average grade of 21.2gpt gold and 27gpt silver over an average width of 4.0m.

6. Yellow Giant mineral property interest

Description

The Company is currently conducting care and maintenance at Yellow Giant, which consists of 33 mineral claims or approximately 15,715 hectares located on Banks Island in North-Western British Columbia. The property is approximately 110 km south of the city of Prince Rupert in the Skeena Mining Division of British Columbia.

6. Yellow Giant mineral property interest - continued

The Company acquired the right to earn an undivided 100% interest in this property, subject to back-in rights, pursuant to a mineral property exploration and option agreement dated March 1, 2011 between Selkirk Metals Corp. ("Selkirk") and the Company, as amended May 19, 2011 (the "Agreement").

On November 9, 2012, the Company announced that it had formally completed the terms of the Agreement, and had therefore earned the right to acquire this option, subject to back-in rights. On the same date, the Company provided Selkirk with written notice that the Company intended to put Yellow Giant into commercial production. On February 4, 2013, Selkirk indicated that it would not exercise its back-in option at that time. Accordingly, Selkirk will lose its entitlement to the back-in option if the Company secures financing and commences, and thereafter diligently pursues, the work of equipping the property for commercial production, as defined in the Agreement, on or before August 4, 2014. The Company declared commercial production effective January 1, 2015 and believes it has now met these requirements.

The Agreement is subject to a 2.0% net smelter returns ("NSR") royalty as a result of Selkirk not exercising its back-in option and also, pursuant to the terms of an underlying agreement, a 1.5% NSR royalty is payable to an arms-length party with respect to the property. The Company has the option to purchase 33.3% of the 1.5% NSR royalty for $300,000 by providing 30 days written notice at any time.

Commercial production

In the Company's press release dated October 30, 2014 the Company laid out the general criteria being used by the Board of Directors to assess whether the criteria for commercial production had been satisfied. Those criteria were:

1. Sustainable production which approaches mill throughput of 200tpd
2. Gold recovery of 90%
3. Gold production of 77oz equivalent per day

The declaration of commercial production is a matter of judgment and involves the continuing evaluation of various aspects of the mining operation. Upon analysis of the operations at Yellow Giant since October 30, 2014, the Board of Directors decided to declare commercial production effective January 1, 2015 even though not all the criteria above were met. The decision to declare commercial production was based on the following key aspects of the operation:

- The average ROM feed through the DMS circuit averaged 205tpd for all of 2014 and 282tpd from September 1 to December 31, 2014.
- Overall gold recovery over 277 days was 85% which excludes the gold present in the remaining DMS fines stockpile (4%) which will be re-processed.
- Average gold production has not reached 77oz equivalent per day, this is because the Company experienced higher than expected dilution due to circumstances encountered mining around the old workings at the Bob Zone. Based on this unexpected dilution and the fact that the Company produced a saleable product for 277 days in 2014 the Board has decided that its current production level is sufficient for commercial production.

Upon review of mining activities and increased capacity in the DMS pre-concentration section of the plant the Company believes it can meet and sustain its gold sales objectives.

Highlights of progress at Yellow Giant

In February 2013 the Company released a NI43-101 report titled "Technical Report on the Yellow Giant Gold Property" dated February 1, 2013 ("2013 PEA Report") which was prepared by independent consultant, Mr. Robert Baldwin, P.Eng.

(Expressed in Canadian dollars unless otherwise stated)

6. Yellow Giant mineral property interest – continued

The Company completed the capital construction contemplated in the PEA report in early 2014. The Company subsequently constructed a grinding and flotation section which was completed in August 2014. The capital cost of the grinding and floatation circuit was not considered in the 2013 PEA Report. The additions of the grinding and flotation sections were necessary in order to achieve expected overall gold recoveries and gold sales projected in the 2013 PEA Report.

Gold production

Total estimated gold production payable from the smelter in the 2016 fiscal year to August 31, 2015, is estimated at 6,885oz Aueq. Gold production in July and August was significantly impacted by regulatory issues, which prevented the production of gold concentrates at Yellow Giant.

Details of production, payable from smelter and average daily production for the 2016 fiscal year to June 30, 2015, are as shown in the following table:

	Contained in Concentrate		Estimated Production Payable from Smelter**	Average Estimated Production Payable from Smelter**
Month	**Gold (oz)**	**Silver (oz)**	**Gold eq* (oz)**	**Gold eq* (oz per day)**
Mar 1-31, 2015	1,375	4,838	1,304	42
Apr 1-30, 2015	1,540	5,382	1,461	49
May 1-31, 2015	1,909	3,410	1,765	57
Jun 1-30, 2015	2,021	3,200	1,863	62
Jul 1-31, 2015	529	1,172	492	16
Aug 1-31, 2015	0	0	0	0
Total	**7,374**	**18,002**	**6,885**	**45**

**Gold equivalent is calculated by converting silver to gold at a ratio of 65:1*
***Gold payable from smelter is an estimate and subject to revisions based on final assaying and settlement*

6. Yellow Giant mineral property interest – continued

Details of production, payable from smelter and average daily production for the 2015 fiscal year are as shown in the following table:

	Contained in Concentrate		Estimated Production Payable from Smelter**	Average Estimated Production Payable from Smelter**
Month	**Gold (oz)**	**Silver (oz)**	**Gold eq* (oz)**	**Gold eq* (oz per day)**
Mar 1-31, 2014	2,005	5,604	1,866	60
Apr 1-30, 2014	2,294	5,618	2,123	71
May 1-31, 2014	901	2,322	933	30
Jun 1-10, 2014	335	783	346	35
Aug 7-31, 2014	710	1,763	667	27
Sept 1-30, 2014	1,742	3,909	1,636	55
Oct 1-31, 2014	1,341	5,257	1,285	42
Nov 1-30, 2014	1,146	2,390	1,072	35
Dec 1-31, 2014	1,079	2,675	1,015	33
Jan 1-31, 2015	1,610	5,998	1,532	49
Feb 1-28, 2015	1,100	5,018	1,059	38
Total	**14,263**	**41,337**	**13,534**	**46**

**Gold equivalent or Aueq is calculated by converting silver to gold at a ratio of 65:1*
***Gold payable from smelter is an estimate and subject to revisions based on final assaying and settlement*

Permitting

On July 16, 2015, the BC Ministry of Energy and Mines ("MEM") inspected the Yellow Giant site and issued a stop work order on the mineral processing plant, pending submission of revised Sediment Control, Water Management and Tailings Management plans for review and approval by the MEM. The Company submitted all of the requested plans as at July 20, 2015. The Company has ceased all activities not allowable under the stop work order and is not processing mineralized material through the plant at this time. The Company is working actively with the MEM to address remaining outstanding issues to allow the stop work order to be lifted.

The Company is concurrently working to provide additional information to the Ministries in regards to permit MX-1-862, which has delayed processing of mineralization from Discovery Zone. This delay has had a significant impact on production for the second quarter and year ended February 29, 2016 and will continue to have a negative impact production going forward until permitting can be resolved. The Company is also working to complete permitting necessary to bring areas outside the mineral lease into permit M-241 for commercial mining, i.e. those covered under exploration permit MX-1-862.

Environmental

On July 10, 2015, the BC Ministry of Environment issued the Company a Pollution Abatement Order relating to a spill of water with sedimentation that occurred at the Bob Zone where the Company had been backfilling tailings. The Company has completed and reported an assessment of the spill, estimated at 240m^3 of water containing a total of 1 tonne of solids. In the course of the assessment, the Company completed industry standard toxicity testing which indicating 100% survival of rainbow trout and Daphnia Magna in the affected area. Sedimentation was also noted in the Discovery Zone where water containing drill cuttings had flowed into two small adjacent water bodies. At this time, costs estimates to clean up the spill and sedimentations are not known but are not expected to be material. As a result of the Pollution Abatement Order, the Company has ceased backfilling tailings in the Bob Zone and is working on the required environmental studies and monitoring required under the Pollution Abatement Order.

7. Summary of quarterly results

(Amounts are expressed in thousands of Canadian dollars, except per-ounce and per-share amounts)

		Period							
		Q2 2016	**Q1 2016**	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Summarized financial results									
Revenue		**$ 3,566**	**$ 4,809**	$ 3,954	$ -	$ -	$ -	$ -	$ -
Loss from mine operations		**(1,534)**	**(537)**	(1,016)	-	-	-	-	-
Net loss and comprehensive loss		**(1,966)**	**(1,688)**	(1,657)	(581)	(623)	(270)	(1,020)	(4,948)
Basic and diluted loss per share (1)		**(0.03)**	**(0.03)**	(0.03)	(0.01)	(0.01)	(0.01)	(0.02)	(0.13)
Key performance measure (2)									
Gold equivalent ounces sold		**3,192**	**3,837**	3,072	-	-	-	-	-
Average realized price (per Aueq oz)	CAD	**$ 1,418**	**$ 1,457**	$ 1,492	$ -	$ -	$ -	$ -	$ -
Total cash cost (per Aueq oz)	CAD	**$ 1,169**	**$ 1,130**	$ 1,409	$ -	$ -	$ -	$ -	$ -
All-in sustaining cost (per Aueq oz)	CAD	**$ 1,313**	**$ 1,944**	$ 2,228	$ -	$ -	$ -	$ -	$ -
Average USD/CAD exchange rate (3)		**1.2782**	**1.2390**	1.2028	1.1179	1.0829	1.0997	1.0878	1.0398
Average realized price (per Aueq oz)	USD (4)	**$ 1,109**	**$ 1,176**	$ 1,240	$ -	$ -	$ -	$ -	$ -
Total cash cost (per Aueq oz)	USD (4)	**$ 915**	**$ 912**	$ 1,171	$ -	$ -	$ -	$ -	$ -
All-in sustaining cost (per Aueq oz)	USD (4)	**$ 1,027**	**$ 1,569**	$ 1,852	$ -	$ -	$ -	$ -	$ -

(1) Fully diluted calculations have not been provided due to the anti-dilutive effect of outstanding warrants and options.
(2) Certain information contained in this table is a non-IFRS measure discussed later in this MD&A.
(3) Based on Bank of Canada foreign exchange rates.
(4) Converted at average USD/CAD exchange rate for the quarter.

The Company declared commercial production on January 1, 2015, as such, results from operations from the prior quarters are not directly comparable. The changes in the amounts for the Q2 2016 and Q1 2016 fiscal periods during which the Company was in commercial production are discussed below.

Revenue, which is net of treatment and refining charges, decreased in Q2 2016, compared to Q1 2016 due to a decrease in ounces produced and sold as a result of the stop work order issued by the BC Ministry of Energy and Mines. In Q2 2016, the Company sold 3,192 payable ounces Aueq at an average realized selling price of $1,418/oz, compared to 3,837 payable ounces Aueq at an average realized selling price of $1,457/oz in Q1 2016.

The total cash cost per ounce of Aueq increased from $1,130/oz in Q1 2016 to $1,169/oz in Q2 2016 as a result of interrupted concentrate production in the quarter. Cash costs were negatively impacted by the numerous stops and starts of the mill throughout the month of July before the final shut down on July 31.The decreased revenue generated from fewer ounces sold and the transition of the operation to care and maintenance in August increased the loss from mining operations in Q2 2016 as compared to Q1 2016.

The net loss for Q2 2016 increased compared to Q1 2016 primarily due to a decrease in revenue as a result of the mine being put on care and maintenance in the month of August.

The Company's changes in financial results on a quarter-by-quarter basis are determined by several key factors including, but not limited to, the level of production in the period, changes in the price of gold, changes in the foreign currency exchange rate and the costs of inputs into the production cycle.

8. Results of operations

Review of Quarterly Financial Results – Three months ended August 31, 2015 ("Q2 2016") compared to the three months ended August 31, 2014 ("Q2 2015")

The Company recorded a net loss of $1,966K in the three months ended Q2 2016 compared to a loss of $623K in the three months ended Q2 2015. The increase in the loss of $1,343K is attributable to the following key items.

The Company had a loss from mine operations of $1,534K in the three months ended Q2 2016, compared to $nil in in the three months ended Q2 2015 as the Company was not in commercial production in Q2 2015. The loss from mine operations contains non-cash amounts for depreciation, depletion and share-based compensation of $1,316K.

Finance expenses for the three months ended Q2 2016 were $10K gain compared to $1K gain in the three months ended Q2 2015. The increase of $9K was due to interest expense that increased compared to the prior year quarter as a result of the build in the aging of Company's payables offset by a reduction in the derivative liability set up in the first quarter of fiscal 2016 that was not included in fiscal 2015.

Foreign exchange loss for the three months ended Q2 2016 was $355K compared to a gain of $nil in the three months ended Q2 2015. The foreign exchange gain or loss is a function of changes in market exchange rates and the mix of transactions conducted in currencies other than the Canadian dollar. Foreign exchange loss increased compared to Q2 2015 primarily as a result of the revaluation of the Company's US denominated loan payable to MCC Non Ferrous Trading Inc.

General and administration expenses for the three months ended Q2 2016 were $312K compared to $289K for the three months ended Q2 2015. The increase of $23K was primarily due to an increase in management fees, salaries, benefits and professional fees.

The Company recorded an income tax recovery of $179K in the three months ended Q2 2016 compared to an income tax expense of $45K in the three months ended Q2 2015. The change between the periods is related to changes in deferred taxes in fiscal 2015 compared to the settlement of flow-through premium liability as the Company satisfied a portion of its exploration commitment in 2016.

Review of Quarterly Financial Results – Six months ended August 31, 2015 ("Q2 2016") compared to the six months ended August 31, 2014 ("Q2 2015")

The Company recorded a net loss of $3,654K in the six month period ended Q2 2016 compared to a loss of $893K in the six month period ended Q2 2015. The increase in the loss of $2,761K is attributable to the following key items.

The Company had a loss from mine operations of $2,071K in the six month period ended Q2 2016, compared to $nil in the six month period ended Q2 2015 as the Company was not in commercial production during the six month period ended Q2 2015. The loss from mine operations contains non-cash amounts for depreciation, depletion and share-based compensation of $2,783K in the six-month period.

Finance expenses for the six-month period ended Q2 2016 were $981K compared to $1K gain in the six-month period ended Q2 2015. The increase of $982K was attributable to amounts associated with the silver streaming transaction of which $570K is related to the derivative liability and $75K is attributed to financing costs. The remaining $337K is due to increased interest expense as a result in the build in the aging of the Company's payables.

Foreign exchange loss for the six-month period ended Q2 2016 was $307K compared to a gain of $90K in the six-month period ended Q2 2015. The foreign exchange gain or loss is a function of changes in market exchange rates and the mix of transactions conducted in currencies other than the Canadian dollar. Foreign exchange loss increased compared to Q2 2015 primarily as a result of the revaluation of the Company's US denominated loan payable to MCC Non Ferrous Trading Inc.

(Expressed in Canadian dollars unless otherwise stated)

8. Results of operations - continued

General and administration expenses for the six-month period ended Q2 2016 were $619K compared to $485K for the six-month period ended Q2 2015. The increase of $134K was primarily due to an increase in management fees, salaries and benefits of $76K, professional fees of $83K and office and general fees of $45K, partially offset by lower promotion and advertising costs of $54K and transfer and filing fees of $16K. Most amounts have increased as the Company has more staff and general business activities ongoing in the six-month period ended Q2 2016 compared to the six-month period ended Q2 2015 due to the Company transitioning to operations from construction.

The Company recorded an income tax recovery of $286K in the six-month period ended Q2 2016 compared to an income tax expense of $208K in the six month period ended Q2 2015. The change between the periods is related to changes in deferred taxes in fiscal 2015 compared to the settlement of flow-through premium liability as the Company satisfied a portion of its exploration commitment in 2016.

9. Financial instruments

The Company's financial instruments include cash, trade and other receivables, restricted cash, trade and other payables, loans payable, and streaming liability. All of the Company's financial instruments, except for the streaming liability, are measured at their amortized costs which approximates their fair values due to their short-term nature. The streaming liability is measured at fair value through profit or loss.

IFRS establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair values as follows:

- 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 following table summarizes the Company's financial instruments as at August 31, 2015:

	Financial assets	Financial liabilities	Fair value hierarchy
Cash	$ 70,301	$ -	n/a
Trade and other receivables	507,098	-	n/a
Trade and other payables	-	4,911,078	n/a
Loans payable	-	5,580,255	n/a
Streaming liability	-	2,039,153	Level 3

A thorough discussion of these instruments can be found in Note 17 of the Company's condensed interim financial statements for the six months ended August 31, 2015.

10. Liquidity and capital resources

Financing

During the six months ended August 31, 2015, the Company had the following financing transactions.

On April 2, 2015, the Company executed an agreement with SilverStream SEZC ("SilverStream"). Under the terms of the agreement SilverStream will purchase silver produced from the project for a purchase price of US$4/oz for the five years from the date of inception.

The key terms of the agreement include:

- SilverStream provided upfront cash of US$1.5M.
- Term of contract is 5 years.
- On a monthly basis SilverStream will be remitted silver certificates equivalent to 100% of the silver production from Yellow Giant in a given month up to 6,667oz and SilverStream will retain the option to purchase 50% of any silver production above 6,667oz.
- SilverStream will purchase silver from the Company at the lesser of US$4/oz and 80% of the market price of silver.
- The Company will have the ability to satisfy the monthly amounts owed to SilverStream in one of three ways: delivery of silver certificates equivalent to the contracted silver delivery amounts, delivery of gold certificates equivalent to the contracted silver delivery amounts; or payment of cash equal to the spot price of silver on the last day of the month less US$4/oz multiplied by the monthly silver ounces to be delivered.
- The Company will be required to deliver a minimum of 6,667oz per month until a total of 140,000oz ("Minimum Production") have been delivered after which there will be no minimum monthly amounts.
- Subject to certain relief conditions, if the Company fails to deliver the monthly minimum of 6,667oz in a given month prior to the satisfaction of the Minimum Production, SilverStream will be granted a royalty of 1% on the gross revenue from the project and will have the right to demand immediate repayment of the initial cash provided less the cumulative gross margin earned to the date of default. The gross margin in a given month will equal the spot price of silver on the last day of the month less US$4/oz multiplied by the silver ounces delivered in the month ("Silver Stream Gross Margin"). The delivery of the Minimum Production discharges this condition.

At inception, the Company received gross proceeds of $1,876K and incurred financing costs of $75K for net proceeds of $1,801K. The Company has designated the streaming liability as a financial instrument at fair value through profit and loss. The Company used the funds as working capital in its operations at Yellow Giant.

Liquidity

At August 31, 2015, the Company had a working capital deficiency of $10.5M compared to $9.4M million at February 28, 2015. The working capital deficiency at August 31, 2015, included loans payable classified as a current liability of $5.6M, although the loan is not repayable until proceeds are received from future concentrate sales, management has projected that future proceeds from such sales will be sufficient to repay the loan in full within the next twelve months. Management intends to reduce its working capital deficiency and finance operating costs over the next year by increasing production at Yellow Giant to a level which generates the required profitability to allow the Company to meet its obligations. If the Company is unable to increase production in a timely manner then the Company will need to raise additional funds through debt or the issuance of shares, however the ability to complete such financings on terms acceptable to the Company is uncertain.

As a result of the events described in Note 1 (b) of the Company's condensed interim financial statements for the six months ended August 31, 2015 and elsewhere in this MD&A, resulting production delays, uncertain timelines for successful permit amendments and current working capital deficiency, the Company needs to seek immediate financing. Inability to do so at terms acceptable to the Company and in a timely manner would cast significant doubt on the Company's ability to continue as a going concern.

10. Liquidity and capital resources - continued

Capital resources

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain a flexible capital structure that optimizes the costs of capital within a framework of acceptable risk. The selling price of gold, minimizing production costs and a successful exploration environment are key factors in helping the Company reach its capital risk management objectives. In the management of capital, the Company includes the components of shareholders' equity and debt arrangements. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to facilitate the management of capital and the exploration of its mineral properties, the Company prepares expenditure budgets which are updated as necessary, and are reviewed and approved by the Company's Board of Directors.

To maintain or adjust capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. The Company is currently dependent on internally generated cash flows, private investors and the concentrate loan provider as its primary source of operating working capital. The Company's capital resources are largely determined by the strength of the junior resource markets, by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. In the future, the Company may also receive additional funds through the exercise of stock options. If adequate funds are not available when required, the Company may, based on the Company's cash position, delay, scale back or eliminate various programs.

Although the Company has successfully raised capital in the past, there can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that future additional financing will be available to the Company at terms it finds acceptable or at all. The potential inability to generate additional funds internally or obtain additional financing through external sources casts substantial doubt on the Company's ability to continue as a going concern.

Commitments

As at August 31, 2015, the Company has the following commitments:

Operating leases

The company has operating lease agreements involving office space and equipment. Future minimum lease payments required to meet obligations that have initial or remaining non-cancelable lease terms are $438K within eighteen months.

Yellow Giant mine royalty

Production from the Yellow Giant mine is subject to a 2.0% net smelter royalty ("NSR") payable to Imperial Metals Corp (via Selkirk Metals Corp.) and a 1.5% NSR payable to Morien Resources Corp. During the six months ended August 31, 2015, NSR of $282K was accrued (2014 – $235K) and $158K (2014 – $28K) was paid.

Capital Expenditure Commitments

The Company does not currently have any capital expenditure commitments.

(Expressed in Canadian dollars unless otherwise stated)

10. Liquidity and capital resources – continued

Litigation and claims

In the normal course of its business activities, the Company may be subject to claims or legal actions that may be made by suppliers and others in respect of which either provision has been made or for which no material liability is expected. Where the Company is not able to determine the outcome of such matters no amounts are accrued in these financial statements. The Company has claims filed against it from a supplier with respect to delivery of certain equipment, has filed counter claims and is exploring mediation, settlement and litigation options. No provision has been recorded for such matters as the Company is unable to determine the outcome at this time.

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

Proposed Transactions

The Company has no proposed transactions.

11. Related party transactions

Key Management compensation

The Company had related party transactions with key management for the six months ended August 31, 2015 and had no other related party transactions. The Company's key management for the six months ended August 31, 2015, included Ben Mossman, (President and CEO), the Company's former CFO's, Craig Kalnin and Saurabh Handa; and Directors; Wolfgang Nickel, Frederick Sveinson, Jason Nickel and Saurabh Handa. The compensation paid or payable to key management for employee wages, consulting services and directors fees were as follows:

		Six months ended August 31, 2015
Short-term benefits	$	175,623
Directors' fees		34,285
Share-based compensation		9,917
	$	219,825

Short term benefits include salaries, bonuses, and consulting fees for all directors and key management personnel as approved by the Compensation Committee of the Board of Directors. Share-based compensation is the fair value of stock options granted to directors and key management personnel where an expense was recorded in the period due to vesting conditions.

As at August 31, 2015, the balance due to related parties included in accounts payable and accrued liabilities was $233K (February 28, 2015 – $225K) and due from related parties was $nil (February 28, 2015 - $nil).

12. Oustanding share data

The Company is authorized to issue an unlimited number of common shares without par value. As at August 31, 2015 and the date of this MD&A, the Company has 61,701,497 common shares outstanding.

As at August 31, 2015 the Company also has 4,275,000 share options outstanding with a weighted-average exercise price of $0.44 per share and 8,551,433 share purchase warrants outstanding with a weighted-average exercise price of $0.59 per share.

As at the date of this MD&A, the Company has 3,810,000 share options outstanding with a weighted-average exercise price of $0.44 per share and 8,551,433 share purchase warrants outstanding with a weighted-average exercise price of $0.59 per share.

13. Non-IFRS measures

The Company has included certain non-IFRS measures in this MD&A, including cash cost per Aueq payable ounce ("cash cost") and all in sustaining cost ("AISC"). The Company believes that these measures, in addition to conventional measures prepared in accordance with IFRS, provide stakeholders an improved ability to evaluate the underlying performance of the Company. The non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to other issuers. The Company follows the guidance from the World Gold Council for reporting, where applicable, to determine non-IFRS measures.

Prior to January 1, 2015, the Company was focused on the development and construction of Yellow Giant, therefore prior periods are not comparable.

Cash costs

Cash costs is a common financial performance measure in the gold mining industry but with no standard meaning under IFRS. The Company reports total cash costs on a sales basis. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, such as sales, certain investors use this information to evaluate the Company's performance and ability to generate operating earnings and cash flow from its mining operations. Management uses this metric as an important tool to monitor operating cost performance.

Total cash costs include production costs such as mining, processing, refining, and site administration divided by Aueq ounces sold to arrive at total cash costs per Aueq ounce sold. The measure also includes other mine related costs incurred such as mine standby costs and current inventory write downs. Production costs are exclusive of depreciation and depletion.

The Company's cash costs per Aueq ounce for the three and six months ended August 31, 2015 were:

(Amounts expressed in thousands of Canadian Dollars except per oz amounts)	Three months ended August 31, 2015	Three months ended May 31, 2015	Six months ended August 31, 2015
Production costs	$ 3,302	$ 3,719	$ 7,021
Treatment and refining charges on concentrate sales	306	458	764
Royalty Expense	122	160	282
Total cash costs	$ 3,730	$ 4,337	$ 8,067
Gold equivalent ounces sold (1)	3,192	3,837	7,029
Total cash cost per gold equivalent ounce	$ 1,169	$ 1,130	$ 1,148

(1) Gold equivalent or Aueq is calculated by converting silver to gold at a ratio of 65:1

13. Non-IFRS measures - continued

All-in sustaining costs (AISC)

The Company calculates AISC as it believes this measure more fully defines the total costs associated with producing gold. The Company calculates all-in sustaining costs as the sum of total cash costs per Aueq ounce sold, share-based compensation, corporate general and administrative expense, exploration and evaluation expenses that are sustaining in nature, reclamation cost accretion, all divided by the total Aueq ounces sold to arrive at a per ounce figure.

Costs excluded from all-in sustaining costs are non-sustaining capital expenditures and exploration costs that are expected to materially increase production, financing costs and tax expense. Consequently, this measure is not representative of all of the Company's cash expenditures. In addition, the calculation of all-in sustaining costs does not include depreciation and depletion expense as it does not reflect the impact of expenditures incurred in prior periods. Other companies may calculate this measure differently as a result of differences in underlying principles and policies applied. Differences may also arise to a different definition of sustaining versus non-sustaining capital. The Company's AISC per Aueq ounce for the three and six months ended August 31, 2015 were:

(Amounts expressed in thousands of Canadian Dollars except per oz amounts)	Three months ended August 31, 2015	Three months ended May 31, 2015	Six months ended August 31, 2015
Total cash costs	$ 3,730	$ 4,337	$ 8,067
Corporate administration	312	307	619
Sustaining capital expenditures	148	2,815	2,963
All-in sustaining costs	$ 4,190	$ 7,459	$ 11,649
Gold equivalent ounces sold [(1)]	3,192	3,837	7,029
All-in sustaining cost per gold equivalent ounce	$ 1,313	$ 1,944	$ 1,657

(1) Gold equivalent or Aueq is calculated by converting silver to gold at a ratio of 65:1

Additional IFRS financial performance measures

The Company has included the additional IFRS measure "Earnings (loss) from mine operations" in the financial statements. Management noted that "Earnings (loss) from mine operations" provides useful information to investors as an indication of the Company's principal business activities before consideration of how those activities are financed, sustaining capital expenditures, corporate and exploration and development expenses, finance income and costs, and taxation.

The Company has included a further non-IFRS measure based on Earnings (loss) from mine operations to adjust this amount for any non-cash items. This figure is included to provide useful information to the investors as an indication cash-portion of the Earnings (loss) from mine operations without the impact of non-cash items, this figure is referred to as the "Cash earnings (loss) from mine operations" in this MD&A. The cash earnings from mine operations for the three and six months ended August 31, 2015 were:

(Amounts expressed in thousands of Canadian Dollars)	Three months ended August 31, 2015	Three months ended May 31, 2015	Six months ended August 31, 2015
Loss from mine operations	$ (1,534)	$ (537)	$ (2,071)
Add back non-cash components			
Depreciation and depletion	1,308	1,446	2,754
Share-based compensation	8	21	29
Cash earnings (loss) from mine operations	$ (218)	$ 930	$ 712

14. Significant accounting judgements and estimates

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes may differ materially from these estimates.

In addition to the discussion in the Company's condensed interim financial statements as at August 31, 2015, the significant accounting judgements and estimates include, but are not limited to the following areas where estimates and assumptions are made and where actual results may differ from the estimates under different assumptions and conditions and may materially affect financial results of the Company's statement of financial position reported in future periods.

Mineral reserve and resource

The accuracy of mineral reserve and resource estimates is a function of the quantity and quality of available data and assumptions made and judgements used in the geological and engineering interpretation, and may be subject to revision based on various factors. Changes in reserve and resource estimates may impact the carrying value of mineral interests, the calculation of depletion, the capitalization of mine development costs, and the timing of cash flows related to rehabilitation provision.

Production stage of a mine

The determination of the date on which a mine enters the commercial production stage is a significant judgment since capitalization of certain costs ceases and the recording of revenues and expenses commences upon entering commercial production. As a mine is constructed, certain costs incurred are capitalized and proceeds from metal sales are offset against the capitalized costs. This continues until the mine is available for use in the manner intended by management, which requires significant judgment in its determination.

Production inventories

The allocation of costs to inventories and the determination of net realizable value involve the use of estimates. There is a high degree of judgment in estimating future costs, future production levels, contained gold ounces, gold recovery levels and market prices. There can be no assurance that actual results will not differ significantly from estimates used in the determination of the carrying value of inventories.

Useful lives of mineral properties

The Company estimates the useful life of its Yellow Giant mineral property on an annual basis using a combination of quantitative and qualitative factors including historical results, mineral resource estimates, and management's intent to operate the property. The estimated remaining life of the producing mineral property is used to calculate depletion expense, assess impairment charges and the carrying values of assets, and for forecasting the timing of the payment of rehabilitation costs.

There are numerous uncertainties inherent in the estimation of the remaining lives of the producing mineral property, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, or production costs may change the economic status of the resources, estimates of production from areas not included in the 2013 PEA Report, and management's intent to operate the property and may ultimately have a material impact on the estimated remaining lives of the property.

14. Significant accounting judgements and estimates - continued

Contingencies

The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur.

The preparation of these financial statements requires management to make estimates and judgements about the future that affect the reported amounts in these financial statements. The following are the estimates and judgements applied by management that most significantly affect the Company's financial statements which have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

15. Risks and uncertainties

Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. The following major risk factors should be given special consideration when evaluating risk and uncertainties relating to the Company's business. Any of these risks could cause circumstances to differ materially from those described in forward-looking statements relating to the Company, and could have a material adverse effect upon the Company, its business and future prospects. Although these risks are major risks identified by management, they do not comprise a definitive list of all risks related to the Company.

Going Concern Risks

Going concern risks include: the Company's may not be able to continue as a going concern.

The Company needs to seek additional financing. The Company has only limited revenues to date, has significant operational expenses, a working capital deficiency, and has a stop work order in effect on its production plant. There is no assurance that additional funding will be available to the Company. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing debt and equity market conditions, the price of gold and the performance of Yellow Giant. There can be no assurance that additional capital or other types of financing will be available. Failure to obtain such financing could affect the Company's ability to continue as a going concern.

Operational Risks

Operational risks include: the Company may not be able to find and develop mineral reserves economically, the Company cannot guarantee title to its properties, the Company may have difficulty securing the necessary operating permits, the Company may have difficulty in marketing production and services, the Company may have difficulty in hiring and retaining skilled employees and contractors.
The Company's exploration, development, and future production may be hampered by mining, heritage and environmental legislation, industrial accidents, industrial disputes, cost overruns, and compensation and other unforeseen contingencies. The success of the Company also depends on the delineation of economically recoverable reserves, the availability and cost of required development capital, the price of commodities, securing and maintaining title to its exploration and mining tenements as well as obtaining all necessary consents and approvals for the conduct of its exploration and future development and production activities. The failure of the Company to achieve its production estimates could have a material adverse effect on any or all of its future cash flows, profitability, results of operations and financial condition.

There is no assurance that the Company will acquire additional mineral properties and any acquisitions may expose the Company to new risks, and the mining industry is intensely competitive for the acquisition of new properties, access to capital and hiring of skilled personnel. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations.

15. Risks and uncertainties – continued

Financial Risks

Financial risks include fluctuation in commodity prices, currency exchange rates, and interest rates, and additional financing.

The Company's future profitability depends upon the market price of gold, amongst other things. Gold prices fluctuate widely and are affected by numerous factors including industrial and retail supply and demand, exchange rates, interest rates, inflation rates and changes in global economies, which are beyond the Company's control. If the market price for gold falls significantly, it could affect the Company's mining operations, decision to proceed with further exploration or development, and to reduce its mineral reserves and resources, which could have a material adverse effect on the Company's value. A decline in the long-term price of gold may also require the Company to record an impairment charge against the carrying value of its net assets.

The Company is subject to fluctuation in the rates of currency exchange between the United States dollar and the Canadian dollar, and these fluctuations could materially affect the Company's financial position and results of operations. As at August 31, 2015, the Company did not engage in any hedge arrangement for its US dollar liabilities.

Regulatory Risks

Regulatory risks include the possible delays in getting regulatory approval to, and permits for, the transactions that the Board of Directors believe to be in the best interest of the Company, and include increased fees for filings, the introduction of more complex reporting requirements the cost of which the Company must meet in order to maintain its exchange listing.

16. Changes in accounting policies

There has been no change in the Company's significant accounting policies from those disclosed in Note 3 of the Company's audited financial statements for the year ended February 28, 2015.

17. Disclosure controls and procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all relevant information required to be disclosed by the Company is accumulated and communicated to senior management as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation of the design and operating effectiveness of the disclosure controls and procedures as of August 31, 2015, which disclosure controls and procedures provide reasonable assurance that material information is made known to them by others within the Company are appropriately designed.

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the condensed interim financial statements and this accompanying MD&A as at May 31, 2015 (together the "2016 Q1 Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the 2016 Q2 Filings on SEDAR at www.sedar.com.

17. Disclosure controls and procedures - continued

Limitations of controls and procedures

The Company's management, including the President and Chief Executive Officer and Chief Financial Officer, believe that any internal controls over financial reporting and disclosure controls and procedures, no matter how well designed, can have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance that the objectives of the control system are met.

18. Cautionary note regarding forward looking statements

This MD&A may contain forward-looking statements, which are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those implied by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made.

The Company's current expectations regarding the future results of operations, performance and achievements of the Company include, but are not limited to, assumptions about the following:

- future financial or operating performance;
- the estimation of mineral reserves and resources;
- the realization of mineral reserve estimates;
- conclusions of economic assessments of projects;
- the timing and amount of estimated future production;
- future capital expenditures;
- success of exploration activities;
- the supply and availability of consumables and services;
- ability to attract and retain skilled staff;
- availability of financing for exploration and development activities;
- future prices of gold and other precious metals;
- currency fluctuations;
- general business and economic conditions; and
- the inherent risk in the mining industry.

The Company has tried, wherever possible, to identify these forward looking statements by, among other things, utilizing words such as "plan", "project", "intend", "anticipate," "believe," "estimate", "expect", "budget", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

Forward-looking statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements involve known and unknown risks, uncertainties and other factors, which could cause the Company's actual results, performance, or achievements to differ materially 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 Company 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 Company 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.