



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### INTRODUCTION

The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and results of operations of Midas Gold Corp. ("Midas Gold" or the "Corporation") for the quarter ended March 31, 2016. This MD&A should be read in conjunction with Midas Gold's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2016 prepared in accordance with International Financial Reporting Standards ("IFRS"). Effective January 1, 2016, the Corporation changed its accounting policy for Exploration & Evaluation Expenditures; additional details on the changes are available in the unaudited condensed consolidated interim financial statements mentioned above. The comparative information in this MD&A has presented this change in accounting policy on a retrospective basis. Additional corporate information, including Midas Gold's most recent Annual Information Form ("AIF") and other continuous disclosure documents can be accessed through the System for Electronic Document Analysis and Retrieval ("SEDAR") website at [www.sedar.com](http://www.sedar.com) and the Corporation's website at [www.midasgoldcorp.com](http://www.midasgoldcorp.com).

To the extent applicable, updated information contained in this MD&A supersedes older information contained in previously filed continuous disclosure documents. Information contained on the Corporation's website that is not incorporated by reference does not form part of this MD&A. This MD&A contains forward-looking statements that are based on certain estimates and assumptions and involve risks and uncertainties. Actual results may vary materially from management's expectations. See the "Forward-Looking Statements" and "Risks and Uncertainties" sections in this MD&A for further information. All "\$" dollars in this MD&A are United States Dollars, unless specifically stated as "C\$" which are Canadian Dollars.

The information in this MD&A is provided as at May 11, 2016.

### OVERVIEW

Midas Gold was incorporated on February 22, 2011 under the Business Corporations Act of British Columbia. The Corporation was organized to locate, acquire and develop mineral properties located principally in the Stibnite – Yellow Pine mining district in Valley County, Idaho. The Corporation's principal asset is the Stibnite Gold Project ("Stibnite Gold Project" or the "Project") and its common shares trade on the Toronto Stock Exchange ("TSX"). The corporate office of Midas Gold is located at 1250-999 West Hastings St, Vancouver, BC, V6C 2W2, Canada.

### HIGHLIGHTS

On March 17, 2016, the Corporation announced that it had completed a strategic investment raising gross proceeds of \$42.5 million (C\$55.2 million), which financing was fully backstopped by fund manager Paulson & Co. ("Paulson"). The financing comprised of a Canadian dollar denominated 0.05% senior unsecured convertible notes (the "Notes") for \$38.5 million (C\$50.0 million) and common shares of \$4.0 million (C\$5.2 million). Paulson, on behalf of the several investment funds and accounts managed by it, acquired \$25.0 million (C\$32.5 million) of the Notes, existing shareholders having taken up their maximum allotment, comprised of the remainder of the Notes and the common shares. The Notes, among other terms and conditions, have a term of seven years and may be converted into common shares of Midas Gold at a price of C\$0.3541 per share. This financing provides the Corporation with the funds needed to advance the Stibnite Gold Project ("Project") through permitting for mine development and towards completion of a feasibility study, as well as for general corporate expenses.

In December 2015, Midas Gold entered into agreements with the Nez Perce Tribe ("NPT") and Idaho Conservation League

("ICL") whereby Midas Gold entered into certain commitments aimed at reducing sediment entering waterways in and around the Project area. As a result of these additional commitments, plus additional measures incorporated by the US Forest Service in the plan of operations for exploration on the Project, NPT and ICL withdrew their objections to the Environmental Assessment, subsequent to which the US Forest Service issued its Decision Notice and Finding of No Significant Impact for the exploration activities covered by the permit application, as amended during the environmental assessment process. As a result, Midas Gold is now fully permitted to conduct the approved exploration activities for the Project. The entering into of these agreements should not be read as an endorsement of the Project by either NPT or ICL.

## FORWARD-LOOKING STATEMENTS

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, "forward-looking information").

In certain cases, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "determine" or "believes", or variations or the negative of such words and phrases, or statements that certain actions, events or results "may", "could", "whether to", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. By their very nature, forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information.

Forward-looking information includes, but is not limited to, statements regarding:

- analyses and other information based on expectations of future performance and planned work programs;
- possible events, conditions or financial performance that is based on assumptions about future economic conditions and courses of action;
- timing, costs and potential success of future activities on the Corporation's properties, including but not limited to development and operating costs in the event that a production decision is made;
- potential success of exploration, development and environmental protection and remediation activities;
- future outlook and goals;
- permitting time lines and requirements, requirements for additional capital, requirements for additional water rights and the potential effect of proposed notices of environmental conditions relating to mineral claims;
- planned exploration and development of properties and the results thereof;
- planned expenditures and budgets and the execution thereof;
- evaluation of the potential impact of future accounting changes; and
- estimates concerning recovery of accounts receivable, share-based compensation and carrying value of properties.

Statements concerning mineral resource and mineral reserve estimates may also be deemed to constitute forward-looking information to the extent that such statements involve estimates of the mineralization that may be encountered if a property is developed. Any forward-looking information contained herein is stated as of the date of this document and Midas Gold does not intend, and does not assume any obligation, to update such forward-looking information to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events unless required to do so by law or regulation.

With respect to forward-looking information contained herein, the Corporation has applied several material factors or assumptions including, but not limited to, certain assumptions as to production rates, operating cost, recovery and metal costs; that any additional financing needed will be available on reasonable terms; the exchange rates for the U.S. and Canadian currencies will be consistent with the Corporation's expectations; that the current exploration, development, environmental other objectives concerning the Project can be achieved and that the Corporation's other corporate activities will proceed as expected; that the current price and demand for gold and other metals will be sustained or will improve; that general business and economic conditions will not change in a materially adverse manner and that all necessary governmental approvals for the planned exploration, development and environmental protection activities on the Project will be obtained in a timely manner and on acceptable terms; and the continuity of economic and political conditions and operations of the Corporation.

The forward-looking information contained herein is subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ materially from those expressed or implied by such forward-looking information. In addition to those discussed in the Corporation's public disclosure record, such risks and other factors include, among others, those related to:

- the industry-wide risks and project-specific risks identified in the PFS and summarized in the Corporation's news release dated December 15, 2014;
- fluctuations in capital markets and share prices;
- the Corporation's ability to obtain financing to advance its mineral properties and the expected use of proceeds;
- the Corporation's dependence on one mineral project;
- the Corporation's dependence on key personnel;
- the Corporation's operations and contractual obligations;
- changes in exploration programs based upon results of exploration;
- changes in estimated mineral reserves or mineral resources;
- future prices of metals;
- availability of third party contractors or equipment;
- failure of equipment to operate as anticipated;
- accidents, effects of weather and other natural phenomena and other risks associated with the mining industry;
- the Corporation's principal property being located in the U.S., including political, economic and regulatory uncertainty;
- environmental risks, including environmental matters under U.S. federal and Idaho rules and regulations;
- changes in environmental laws and regulations and changes in the application of standards pursuant to existing laws and regulations which may increase costs of doing business and restrict the Corporation's activities and operations;
- impact of environmental remediation requirements and the terms of existing and potential consent decrees on the Corporation's planned exploration and development activities on the Project;
- the Corporation's mineral properties being subject to prior unregistered agreements, transfers, or claims and other defects in title;
- community relations;
- delays in obtaining governmental approvals or financing;
- the nature of mineral exploration and mining and the uncertain commercial viability of certain mineral deposits;
- the Corporation's lack of operating revenues;
- governmental regulations and the ability to obtain necessary licenses and permits;
- currency fluctuations (particularly the Canadian dollar and United States dollar)
- estimates used in the Corporation's consolidated financial statements proving to be incorrect; and
- a cyber security incident that could adversely affect Midas Gold's ability to operate its business.

This is not an exhaustive list of the factors that may affect the Corporation's forward-looking information. Although the Corporation has attempted to identify important factors that could affect the Corporation and may cause actual actions, events or results to differ materially from those described in the forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such forward-looking information. Accordingly, readers should not place undue reliance on such forward-looking information.

## **2016 OUTLOOK AND GOALS**

During early 2016, Midas Gold's objective has been to further its engagement with regulators, communities, tribes and other stakeholders in respect of the concepts for the restoration and operation of the Project that are set out in the Preliminary Feasibility Study ("PFS") in order to ensure that any plans for the redevelopment of the Project addresses concerns and issues to the extent environmentally, technically and commercially feasible. Following these discussions, the Corporation

expects to file a Plan for Restoration and Operations (“PRO”) of a mining and processing operation. In parallel with these activities, Midas Gold is undertaking technical work (including geological, metallurgical and environmental) required to prepare for the initiation of a Feasibility Study on the Project in 2017. Obtaining sufficient funding to sustain the Corporation through these objectives of permitting and feasibility study was also a priority, and was resolved with the completion of the strategic investment by Paulson & Co. and certain pre-existing shareholders.

The Corporation continues to balance the timing and prioritization of expenditures, looking to restrain expenditures while still delivering the Corporation’s major objectives in a timely and cost effective manner. In this respect, the Corporation has further reduced its staffing, reduced compensation paid to directors of the Corporation and to the independent directors of its wholly owned subsidiary, Midas Gold Idaho, Inc. (“MGII”), as well as a number of other initiatives to focus expenditures on value adds to the Project and its stakeholders.

## RESULTS OF OPERATIONS

### Net Loss and Comprehensive Loss

	Three Months Ended	
	March 31, 2016	March 31, 2015
<b>EXPENSES</b>		
Consulting	\$ 2,371	\$ -
Depreciation	283,064	312,685
Directors fees	32,600	61,538
Exploration and evaluation	1,493,985	1,834,271
Office and administrative	105,341	67,567
Professional fees	36,036	40,489
Salaries and benefits	253,315	195,230
Share based compensation	151,113	379,624
Shareholder and regulatory	89,482	128,367
Travel and related costs	21,365	50,602
<b>OPERATING LOSS</b>	<b>\$ 2,468,672</b>	<b>\$ 3,070,553</b>
<b>OTHER (INCOME) EXPENSES</b>		
Change in fair value of warrant derivatives	\$ 253,371	\$ (163,929)
Change in fair value of Note derivatives	227,173	-
Finance Costs	613,001	-
Foreign exchange loss	(78,678)	37,316
Interest income	(2,152)	(12,921)
Total other expenses (income)	\$ 1,012,715	\$ (139,534)
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>\$ 3,481,387</b>	<b>\$ 2,931,019</b>

Net loss and comprehensive loss for Midas Gold for the three month period ending March 31, 2016 was \$3.5 million compared with a loss of \$2.9 million for the corresponding period of 2015. This \$0.6 million change for the three month period were primarily attributable to Finance costs and the change in the fair value of the Note derivative, both related to the above mentioned financing. The increased expenses related to the financing were offset by reduced exploration and evaluation expenditures. As noted above, for the three months ended March 31, 2016, the Corporation’s main focus was the obtaining finance and continued evaluation and advancement of the Stibnite Gold Project.

An analysis of each line item follows.

#### **Consulting**

This expense relates to consulting services provided to the Corporation that do not relate to the exploration and evaluation of the Stibnite Gold Project. The expense for the current quarter is comparable to the prior period.

### Depreciation

This expense relates to the depreciation of the Corporation's building and equipment. The expense for the current quarter is consistent with the quarter in the previous year.

### Directors' Fees

Each of the Corporation's independent directors is entitled to annual base fee of C\$19,200 (2015 – C\$24,000) following a reduction in fees approved by the board effective January 1, 2016, paid in quarterly installments, with the Chair of the Board, Chairs of Board Committees and Members of board committees receiving additional fees commensurate with each role. This expense has decreased for the quarter as the directors reduced their fees and the number of independent directors was reduced from eight to six at the Corporation's AGM in May 2015. Further, on March 17, 2016, two independent directors were replaced by "Paulson" directors who have elected not to receive a fee and the independent directors of MGII also reduced their overall compensation by approximately 25%, thereby reducing the overall director compensation going forward.

### Exploration and Evaluation

This expense relates to all exploration and evaluation expenditures related to the Stibnite Gold Project, including labour, field offices costs and environmental and sustainability costs. This expense for the current quarter is lower than the corresponding period as efforts for the Project were scaled back as the Corporation secured a financing package that would enable the Project to advance into the permitting process. Additional details of expenditure incurred are as follows:

	Three Months Ended	
	March 31, 2016	March 31, 2015
Exploration and Evaluation Expenditures		
Consulting and labour cost	\$ 890,367	\$ 787,385
Field office and drilling support	202,550	268,545
Engineering	43,905	61,609
Environmental and sustainability	356,941	714,945
Geochemistry and geophysics	222	1,787
	\$ 1,493,985	\$ 1,834,271

### Office and Administrative

This expense for the current quarter is predominantly the maintenance of an office in Vancouver, BC. The expense in the current quarter increased compared to the comparative quarter as a result of the Corporation making a donation in lieu of one member of management forgoing an annual short term incentive payment.

### Professional Fees

This expense relates to the legal and accounting costs of the Corporation. The costs for the period are comparable to the prior year.

### Salaries and Benefits

This expense results from salaries and benefits of the employees that are not directly related to the exploration and evaluation of the Stibnite Gold Project, primarily Canadian corporate employees. Salaries and benefits for the quarter ended March 31, 2016 are above the comparable period in the prior year as a result of performance bonuses being paid in the first quarter of 2016 versus in the second quarter in 2015.

### Share Based Compensation

This expense is due to the compensation of directors, officers, employees and consultants that are share based and not directly related to the exploration and evaluation of Stibnite Gold. This expense for the current quarter and the year is below the comparative period in 2015 as the value of the options being granted is reducing with the Corporation's reducing share price when compared to the previous grant date. The fair value of options granted is estimated at the time of the grant using the Black-Scholes option pricing model which uses various assumptions that are outlined in the Corporation's condensed consolidated interim financial statements for the period ended March 31, 2016.

**Shareholder and Regulatory**

This expense is associated with marketing, licenses and fees, and shareholder communications. The expense for the current quarter is below the comparative period from the prior year as a result of a reduced investor relations program.

**Travel and Related Costs**

This expense is a result of travel and meal costs of the Corporation's directors, officers, employees and consultants whilst undertaking business on behalf of the Corporation. The expense for the current quarter is below the comparative period from the prior year as a result of a reduced travel.

**Foreign Exchange**

This gain is a result of the translation of the Corporation's Canadian dollar denominated balances as at March 31, 2016. Foreign exchange expense has increased from the comparative quarter due to the change in the value of the Canadian dollar compared to the US dollar.

**Finance Costs**

As a result of the issuance of the Notes described above the Corporation incurred costs associated with financing.

**Change in Fair Value of Warrant Derivative**

The Corporation issued warrants and finder's options in various financing transaction since 2013, all with an exercise price denominated in Canadian dollars. The Corporation determined that warrants and finder's options with an exercise price denominated in a currency that is different from the entity's functional currency should be classified as a derivative and carried at their fair value. Any changes in their fair value from period to period have been recorded as a gain or loss in the consolidated statement of net loss and comprehensive loss. There are no circumstances under which Midas Gold will be required to pay cash upon exercise or expiry of the warrants or finder's options.

**Change in Fair Value of Note Derivative Liability**

The Corporation issued Notes in March 2016 with an exercise price denominated in Canadian dollars. The Corporation determined that the Notes with an exercise price denominated in a currency that is different from the entity's functional currency should be classified as a derivative and carried at their fair value. Any changes in their fair value from inception to balance date have been recorded as a gain or loss in the consolidated statement of net loss and comprehensive loss.

**Interest Income**

This income results from interest received on the Corporation's cash balances. Interest income decreased in the current quarter compared to the comparative quarter as a result of reduced interest rates and lower average cash balances.

An analysis of the March 31, 2016 and December 31, 2015 balance sheets of the Corporation follows.

**Total Assets**

Total assets increased during the three months ended March 31, 2016 from \$76.6 million to \$116.4 million primarily as a result of cash raised from the March 2016 Financing.

**Equity**

Equity increased during the three months ended March 31, 2016 from \$75.7 million to \$76.3 million primarily as a result of cash raised from the March 2016 Financing, offset by the loss for the current quarter.

**Total Liabilities**

Total liabilities increased during the three months ended March 31, 2016 from \$0.8 million to \$40.1 million, primarily as a result of the issuance of the Convertible Note in March 2016.

## **Cash Flows**

Midas Gold's net change in cash and cash equivalents for the three months ended March 31, 2016 was an inflow of \$40.1 million (2015 – \$2.6 million outflow). There were inflows from financing activities in 2016 and these were partially reduced by outflows from operating and investing activities.

Operating cash outflows for the three months ended March 31, 2016 were \$1.9 million (2015 - \$2.6 million) and Financing cash inflows for the three months ended March 31, 2016 were \$42.0 million (2015 – \$nil).

## **QUARTERLY RESULTS**

The net loss and comprehensive loss of Midas Gold for the previous eight calendar quarterly periods is tabulated below. The results for the previous eight quarters reflect the change in accounting policy during the year (Refer Introduction above).

<b>Quarter Ended</b>	<b>Revenue</b>	<b>Net Income (Loss) and Comprehensive Income (Loss)</b>	<b>Basic &amp; Diluted Income(Loss) per Share</b>	<b>Total Assets</b>	<b>Long Term Liabilities</b>	<b>Cash Dividend</b>
March 31, 2016	-	(3,481,387)	(0.02)	116,391,793	38,475,260	-
December 31, 2015	-	(2,450,829)	(0.02)	76,587,908	-	-
September 30, 2015	-	(2,725,564)	(0.02)	78,987,078	-	-
June 30, 2015	-	(2,816,115)	(0.02)	82,296,592	-	-
March 31, 2015	-	(2,931,019)	(0.02)	79,470,251	-	-
December 31, 2014	-	(3,360,129)	(0.02)	82,439,386	-	-
September 30, 2014	-	(2,789,310)	(0.02)	86,378,793	-	-
June 30, 2014	-	(3,841,549)	(0.03)	91,075,626	-	-

The Corporation has had relatively consistent operating losses over the past two years, the most significant variances to the net and comprehensive loss is the change in the fair value of the warrant derivative and foreign exchange. Exploration and evaluation expenditures create variances dependent on the nature of the work that is being completed in each quarter. The higher number in the most recent quarter relates to various aspects of the financing that was closed in the quarter.

## **CAPITAL RESOURCES AND LIQUIDITY**

Capital resources of Midas Gold consist primarily of cash and liquid short-term investments. As at March 31, 2016, Midas Gold had cash totaling approximately \$44.6 million, approximately \$0.3 million in other current assets and \$1.1 million in trade and other payables.

With the financing discussed in the Highlights section above, Midas Gold has sufficient funds to further advance the Stibnite Gold Project and plans to do so by:

- Engaging with Project stakeholders to provide those stakeholders with the opportunity for better understanding of the Project concepts and to provide a forum for such stakeholders to provide further input into possible options and alternatives;
- Continuing to collect environmental baseline data in support of future regulatory processes;
- Continuing to undertake further technical optimisations, including those outlined in the recommendations section of the PFS;
- Growing the mineral resource base through exploration, provided sufficient funds are available; and
- Proceeding with the regulatory process for the redevelopment of the Project.

Midas Gold has a current liability of \$0.5 million related to the warrant derivative. There are no circumstances under which Midas Gold will be required to pay any cash upon exercise or expiry of the warrants.

Midas Gold has long term liabilities of \$38.5 million related to the Notes and the related embedded derivative.

Midas Gold does not anticipate the payment of dividends in the foreseeable future.

It is management's opinion, based on the Corporation's current liquidity position, that the Corporation will have sufficient assets to discharge its liabilities as they become due, to advance the Stibnite Gold Project in 2016 and to meet its administrative and overhead requirements for at least the next 12 months.

### **Contractual Obligations**

#### **Office Rent**

The Corporation entered into a various lease agreements for office and storage space. The total rent obligation over the next five years is \$174,309 with \$158,409 due within one year and \$15,900 due after one year but not more than five years.

#### **Mining Claim Assessments**

The Corporation currently holds mining claims on which it has an annual assessment obligation, in order to maintain the claims in good standing, of approximately \$235,000. The Corporation is committed to this annual obligation for the indefinite future in order to maintain its title to these claims. Related to the Mining Claim Assessment is a \$168,000 bond related to the Corporation's Exploration activities on the Project.

#### **Option Payments on Mining Claims**

The Corporation is obligated to make option payments on mineral claims comprising the Cinnabar prospect, which is part of the Project, in order to maintain title to these claims. As at March 31, 2016 the remaining option payments due on the Cinnabar prospect are \$100,000 for 2016 and 2017, respectively.

### **OFF BALANCE SHEET ARRANGEMENTS**

The Corporation has no off balance sheet arrangements as of March 31, 2016 and the date of this MD&A.

### **RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION**

During the quarter ended March 31, 2016, compensation of directors and officers and other key management personnel who have the authority and responsibility for planning, directing and controlling the activities of the Corporation was:

	<b>March 31, 2016</b>		<b>March 31, 2015</b>
Salaries and benefits	\$ 235,425	\$	223,147
Share based compensation	66,358		115,764
	<u>\$ 301,783</u>	<u>\$</u>	<u>338,911</u>

No post-employment benefits, termination benefits, or other long-term benefits were paid to or recorded for key management personnel during the three month periods ended March 31, 2016 and 2015.

There were no balances outstanding with related parties at March 31, 2016.

### **MINERAL PROPERTIES**

#### **Stibnite Gold Project**

The Corporation's property holdings at the Stibnite Gold Project are comprised of a contiguous package of unpatented federal lode claims, unpatented federal mill site claims, patented federal lode claims and patented mill site claims. At March 31, 2016, this land position encompassed approximately 11,548 hectares held in 1,518 unpatented lode and mill site claims and patented land holdings. The Corporation acquired these rights through a combination of transactions and staking, and holds a portion under an option agreement.

The Stibnite Gold Project includes four known mineral deposits with identified mineral resources, as announced on September 10, 2014. Following completion of a PFS, the results of which were announced on December 15, 2014, Midas Gold also declared a mineral reserve for each of the four deposits. The PFS defined an economically feasible, technically and environmentally sound Project that minimizes impacts and maximizes benefits and provides a comprehensive overview of the Project, including recommendations for future work programs required to advance the Project to a decision point.

The Project design concepts reflect the extensively disturbed nature of the current site, which has been explored and mined for the past approximately 100 years. Clean-up of legacy environmental impacts, improvement of water quality, minimizing incremental mining-related disturbance, and protection and re-establishment and enhancement of the upstream fishery, both during operations and following mine closure, were incorporated into the PFS, which represents a comprehensive plan for the restoration and operation of the Project.

The Project (as detailed in the preliminary feasibility study published on December 15, 2014) consists of the Yellow Pine, Hangar Flats and West End in situ gold deposits and onsite historic tailings that contain elevated gold, antimony and silver values, and all deposits are located in areas of significant historic mining activity or disturbance. The deposits are amenable to open pit mining and lie within three kilometers of each other, allowing processing at a centralized plant; much of the Project's infrastructure and facilities would be located within areas of historical disturbance, reducing the incremental footprint of the Project. Integral to the design of the Project is the remediation and reclamation of numerous areas of historical disturbance, and restoration of the site. Many of these restoration activities will be conducted during the construction period for the Project or during the first few years of operation, including the restoration of fish passage for the first time since the 1930s.

The PFS supersedes and replaces the technical report entitled "Preliminary Economic Assessment Technical Report for the Golden Meadows Project, Idaho" prepared by SRK Consulting (Canada) Inc. and dated September 21, 2012 and that report should no longer be relied upon. The Golden Meadows Project is now known as the Stibnite Gold Project.

#### **District Exploration**

During first quarter of 2016, the Corporation did not conduct any site activities except normal maintenance and upkeep of the Project infrastructure. Office activities continued with efforts directed at updating geological, alteration and structural modelling of the mineral resources. During this period, members of the US Geological Survey and the Idaho Geological Survey continued laboratory research studies as part of ongoing cooperative programs to investigate mineral deposits and prospects in the Project area. During the first quarter, Midas Gold's Plan of Operations related to ongoing exploration was approved by the US Forest Service and a 'Finding on No Significant Impact' was issued, and approved the activity in a 'Decision Notice' dated January 14, 2016. The Decision Notice included recommendations for additional mitigations and monitoring that are to be incorporated to the Plan of Operations prior to implementation. The mitigation activities were initiated during the quarter and are continuing. As a result of subsequently completing the bonding process, the approval is now final and Midas Gold is free to carry out exploration in accordance with the approved Plan of Operations.

#### **Environmental and Other Matters Pertaining to Stibnite Gold**

The Project is located in a historic mining district with exploration and mining activity, and related environmental effects, spanning nearly 100 years from the early 1900s until today. Actions by prior operators and government agencies have addressed some of the historic environmental issues.

For additional disclosure on Environmental and Other Matters refer to the Corporation's Annual Information Form for the year ended December 31, 2014 and December 31, 2015, the prospectus dated June 30, 2011 and the short form prospectus dated March 8, 2012.

The Corporation is, and in future will continue to be, subject to federal, state and local statutes, rules and regulations related to, among other things, environmental protection, site access and construction activities. The environmental effects, if any, of current and future activities will be monitored and, where appropriate, mitigated and reclaimed by the Corporation.

A number of environmental studies and regulatory investigations in the District identified numerous areas of potential environmental degradation related to historic mining. In the past, regulatory actions under the *Comprehensive*

*Environmental Response, Compensation, and Liability Act* (“CERCLA”), the *Resource Conservation and Recovery Act* (“RCRA”) and state law have been taken by the U.S. Environmental Protection Agency (“EPA”), the U.S. Forest Service and the Idaho Department of Environmental Quality against historic mining operators. All of these regulatory activities and related clean-up programs pre-date any ownership or activity by the Corporation. Prior to its acquisitions in the District, the Corporation conducted appropriate due diligence, comprising formal assessments of the properties comprising the Project, in order to mitigate potential liabilities related to past disturbance.

#### **Consent Decrees under CERCLA**

Several of the patented lode and mill site claims acquired by subsidiaries of Midas Gold in the areas of the West End mill site claims previously used for processing operations are subject to a consent decree, which covers certain environmental liability and remediation responsibilities with respect to such claims. The consent decree provides the regulatory agencies (that were party to the agreement) access and the right to conduct remediation activities under their respective CERCLA and RCRA authorities as necessary and to prevent the release or potential release of hazardous substances. The consent decree also requires that heirs, successors and assigns refrain from activities that would interfere with or adversely affect the integrity of any remedial measures implemented by government agencies. Several of the patented claims in the Hangar Flats and Yellow Pine properties acquired by subsidiaries of Midas Gold are also subject to a consent decree between the previous owner of those claims and the United States, which imposes certain obligations on that previous owner, including that the previous owner will cooperate with the U.S. Environmental Protection Agency and U.S. Forest Service in those agencies’ efforts to secure any government controls necessary to implement response activities.

#### **Plans for the Environmental Issues**

The Corporation expects to address areas of existing environmental concern as part of the permitting process for any future mining operations. The Corporation recognizes the need to maintain the current designated uses, to improve water quality, wildlife and aquatic habitat where practicable and to reduce sediment loads in the Project area wherever feasible as a component of its ongoing activities, as well as to provide for future mining activities, should they occur.

### **CRITICAL ACCOUNTING ESTIMATES AND POLICIES**

#### **Critical Accounting Estimates and Judgments**

The preparation of financial statements requires management to make estimates and judgments about the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results.

Accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates used in the preparation of these consolidated financial statements include, among others, the useful lives of buildings and equipment, valuation of assets, valuation of share based compensation, warrant and convertible note derivatives, mineral resource estimates and the recoverable amount of exploration and evaluation expenditures.

Accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting judgments include the accounting for its exploration and evaluation assets, recognition of deferred tax assets or liabilities, functional currency, fair value of the convertible note derivative, expected economic lives of and the estimated future operating results and net cash flows from buildings and equipment and exploration and evaluation assets.

### **FINANCIAL INSTRUMENTS**

The Corporation’s cash balance increased from \$4.5 million at December 31, 2015 to \$44.6 million at March 31, 2016. On March 17, 2016 the Corporation issued a Convertible Note for \$38.5 million (C\$50.0 million) and common shares for \$4.0 million (C\$5.2 million). There has been no other significant change in the Corporation’s financial instruments since December 31, 2015, with the exception of the warrant derivative which is discussed in Results of Operations.

## OUTSTANDING SHARE DATA

	May 11, 2016	March 31, 2016
Common shares issued and outstanding	175,876,167	175,826,167
Options outstanding	11,334,500	15,973,500
Warrants outstanding	11,512,095	11,562,095
Convertible Notes outstanding	141,255,581	141,255,581
Total	339,978,343	344,617,343

## DISCLOSURE CONTROL AND PROCEDURES AND INTERNAL CONTROL OF FINANCIAL REPORTING

The Corporation's management, under the supervision of the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), has designed disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, based on the *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

DC&P are designed to provide reasonable assurance that material information relating to the Corporation is made known to the CEO and CFO during the reporting period and the information required to be disclosed by the Corporation is recorded, processed, summarized and reported in a timely and appropriate manner. ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with international financial reporting standards. Due to the inherent limitations associated with any such controls and procedures, management recognizes that, no matter how well designed and operated, they may not prevent or detect misstatements on a timely basis.

The Corporation's management, under the supervision of the CEO and CFO, has evaluated the design effectiveness of its DC&P and ICFR and concluded that, as of March 31, 2016, they are effective in providing reasonable assurance regarding required disclosures and the reliability of external financial reporting.

## CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

National Instrument 52-109 also requires Canadian public companies to disclose any changes in ICFR during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, ICFR. No changes were made to the Corporation's ICFR in the three months ended March 31, 2016 which have materially affected, or are reasonably likely to materially affect, ICFR.

National Instrument 52-109 also requires Canadian public companies to disclose any changes in ICFR during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, ICFR. No changes were made to the Company's ICFR in the three months ended March 31, 2016 which have materially affected, or are reasonably likely to materially affect, ICFR.

## EXTRACTIVE SECTOR TRANSPARENCY MEASURE ACT – REPORTING REQUIREMENTS

In accordance with Canada's Extractive Sector Transparency Measures Act (the "Act") that was enacted on December 16, 2014 and brought into force on June 1<sup>st</sup>, 2015, that is intended to contribute to global efforts to increase transparency and deter corruption in the extractive sector. Midas Gold reports that for the three months to March 31<sup>st</sup>, 2016, it has made payments of fees of \$58,859 to two Payees, as defined in the Act.

## **RISKS AND UNCERTAINTIES**

Midas Gold is subject to a number of significant risks due to the nature of its business and the present stage of its business development. Only those persons who can bear risk of the entire loss of their investment should invest in the Corporation's common shares.

Midas Gold's failure to successfully address such risks and uncertainties could have a material adverse effect on its business, financial condition and/or results of operations, and the future trading price of its common shares may decline and investors may lose all or part of their investment. Midas Gold cannot give assurance that it will successfully address these risks or other unknown risks that may affect its business. Estimates of mineral resources and mineral reserves are inherently forward-looking statements subject to error. Although mineral resource and mineral reserve estimates require a high degree of assurance in the underlying data when the estimates are made, unforeseen events and uncontrollable factors can have significant adverse or positive impacts on the estimates. Actual results will inherently differ from estimates. The unforeseen events and uncontrollable factors include: geologic uncertainties including inherent sample variability, metal price fluctuations, variations in mining and processing parameters, and adverse changes in environmental or mining laws and regulations. The timing and effects of variances from estimated values cannot be accurately predicted.

Below is a brief summary of some of Midas Gold's risks and uncertainties. These risk factors are not a definitive list of all risk factors associated with an investment in the common shares of Midas Gold or in connection with the Corporation's operations. The following summary should be read in conjunction with the Corporation's Annual Information Form for the year ended December 31, 2015 available under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Industry Risks**

- Metal prices have fluctuated widely in the past and are expected to continue to do so in the future, which may adversely affect the amount of revenues derived from production of mineral reserves.
- Global financial markets can have a profound impact on the global economy, in general and on the mining industry in particular.
- Mineral exploration and development in the Western United States is subject to numerous regulatory requirements on land use.
- Resource exploration and development is a high risk, speculative business.
- Mineral exploration and development is subject to numerous industry operating hazards and risks, many of which are beyond Midas Gold's control and any one of which may have an adverse effect on its financial condition and operations.
- Mineral exploration and development activities are subject to geologic uncertainty and inherent variability.
- The quantification of mineral resources and mineral reserves is based on estimates and is subject to great uncertainty.
- Increased operating and capital costs may adversely affect the viability of existing and proposed mining projects.

### **The Corporation's Risks**

- Midas Gold will need to raise additional capital through the sale of its securities or other interests, resulting in dilution to the existing shareholders and, if such funding is not available, Midas Gold's operations would be adversely effected.
- Midas Gold has an obligation to repay the outstanding principal under the Notes issued in March 2016 by the seventh anniversary of their issuance; on or before that date Midas Gold either needs to have arranged sufficient funding to repay the outstanding principal or to have converted the notes into common shares in accordance with the terms of the Notes.
- Future sales of Midas Gold's common shares into the public market by holders of Midas Gold options and warrants may lower the market price, which may result in losses to Midas Gold's shareholders.
- Midas Gold is subject to numerous government regulations which could cause delays in carrying out its operations, and increase costs related to its business.
- Midas Gold's current and future permits to conduct activities at the Stibnite Gold Project could be challenged during regulatory processes or in the courts by third parties and such challenges may delay or prevent the Corporation from meeting its objectives.

- Midas Gold has not completed an environmental impact statement, nor has it received the necessary permits for water or explosives to conduct mining operations.
- Midas Gold's activities are subject to environmental liability.
- Midas Gold faces substantial competition within the mining industry from other mineral companies with much greater financial and technical resources and Midas Gold may not be able to effectively compete.
- Midas Gold's exploration efforts may be unsuccessful.
- Midas Gold's mineral resource and mineral reserve estimates may not be indicative of the actual gold that can be mined.
- Midas Gold has a limited history as an exploration company and does not have any experience in putting a mining project into production.
- Midas Gold expects to continue to incur losses and may never achieve profitability, which in turn may harm the future operating performance and may cause the market price of Midas Gold's common shares to decline.
- Midas Gold's title to its mineral properties and its validity may be disputed in the future by others claiming title to all or part of such properties.
- Midas Gold's ability to explore and, if warranted, exploit its mineral claims may be impacted by litigation or consent decrees entered into or proposed to be entered into by previous owners of mineral rights that now comprise the Project, related to disturbance related to past mining and exploration activities.
- Midas Gold depends on key personnel for critical management decisions and industry contacts but does not maintain key person insurance.
- Midas Gold does not have a full staff of technical people and relies upon outside consultants to provide critical services.
- Certain Midas Gold directors also serve as officers and/or directors of other mineral resource companies, which may give rise to conflicts.
- Midas Gold has no history of paying dividends, does not expect to pay dividends in the immediate future and may never pay dividends.
- Midas Gold's business involves risks for which Midas Gold may not be adequately insured, if it is insured at all.
- A shortage of supplies and equipment could adversely affect Midas Gold's ability to operate its business.
- A cyber security incident could adversely affect Midas Gold's ability to operate its business.

#### **CAUTIONARY NOTE IN RESPECT OF MINERAL RESOURCES AND MINERAL RESERVES**

Mineral resources that are not mineral reserves do not have demonstrated economic viability. Mineral resource estimates do not account for mineability, selectivity, mining loss and dilution. The Project mineral resource estimates include inferred mineral resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is also no certainty that these inferred mineral resources will be converted to the measured and indicated categories through further drilling, or into mineral reserves, once economic considerations are applied.

The mineral resources and mineral reserves at the Project are contained within areas that have seen historic disturbance resulting from prior mining activities. In order for Midas Gold to advance its interests at Stibnite Gold, the Project will be subject to a number of Federal, State and local laws and regulations and will require permits to conduct its activities. However, Midas Gold is not aware of any environmental, permitting, legal or other reasons that would prevent it from advancing the Project.

This MD&A and the mineral resource and mineral reserve estimates referenced in this MD&A are reported in accordance with the requirements under Canadian securities laws, namely National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101"), which differ from the requirements under U.S. securities laws. NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. These standards differ significantly from the requirements under the U.S. Securities and Exchange Commission ("SEC") Industry Guide 7. The SEC normally only permits issuers to report mineralization that does not constitute SEC Industry Guide 7 compliant "reserves" as in-place tonnage and grade, without reference to unit measures. U.S. investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. Midas Gold is not a SEC registered Corporation nor is any of its subsidiaries.