



## 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 year ended December 31, 2016 compared to the year ended December 31, 2015. This MD&A should be read in conjunction with Midas Gold's consolidated financial statements for the year ended December 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 consolidated 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 February 23, 2017.

### 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 "District"). The Corporation's 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) (the "Financing"), which was fully backstopped by fund manager Paulson & Co. ("Paulson"). The Financing was comprised of Canadian dollar denominated 0.05% senior unsecured convertible notes (the "Convertible Notes") for \$38.5 million (C\$50.0 million) and an issue of common shares (the "Shares") for \$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 Convertible Notes, after existing shareholders had taken up their maximum allotment comprised of the remainder of the Convertible Notes and Shares.

Subsequent to completion of the financing, the Corporation increased its level of activities, advancing the preparation of a detailed Plan of Restoration and Operations (the "PRO") of the Project, defining and collecting representative metallurgical samples required for testing for the completion of a feasibility study, advancing geologic modelling to define and prioritize areas for possible drilling where there are accretive opportunities to reduce risk or enhance the net present value of the Project (as defined in the Preliminary Feasibility Study ("PFS")) and other optimizations for the Project. In parallel with these

activities, Midas Gold engaged in a review process of its PRO of the site, including third party technical reviews, community engagement, discussions with a variety of stakeholder groups about the designs, concepts and alternatives for the Project, all with the objective of obtaining feedback, improving and optimizing the Project from an environmental, social, technical and economic perspective and ensuring that the PRO properly reflects the values of Idahoans.

In July, the Corporation announced that it had commenced feasibility level metallurgical testing, which is being conducted as a critical path item in advance of preparing a feasibility study (the "FS") on its Stibnite Gold Project. This work is expected to continue through the second quarter of 2017 and is intended to provide sufficient supporting process information to advance the Project through completion of a feasibility study. The test program will also include the collection of approximately a 14-ton bulk sample from existing core material in preparation for metallurgical pilot plant testing.

In August, the Corporation further announced that would initiate a drill program for its Stibnite Gold Project. The objective for the drill program is to improve, expand and de-risk the mineral resources defined in the December 2014 preliminary feasibility study (the "PFS") before commencing a feasibility study. Positive results could enhance the Project economics in the planned FS. The drill program commenced in September and is scheduled to continue into early 2017. Results from the drill program are available on the Corporation's website.

On September 21, 2016, the Corporation filed the PRO with the U.S. Forest Service and Idaho Department of Lands in order to initiate the environmental assessment and permitting process for the Project. Midas Gold anticipated that the U.S. Forest Service would conduct an internal review to determine the PRO's adequacy and completeness and then commence the public review process in accordance with the U.S. National Environmental Policy Act and other requirements. The PRO was filed by Midas Gold Idaho, Inc., ("Midas Gold Idaho"), a wholly-owned subsidiary of Midas Gold Corp. and the operating company for the Stibnite Gold Project. On December 13, 2016, the U.S. Forest Service determined that the PRO had met the requirements for a plan of operations under U.S. Forest Service regulations and that Midas Gold Idaho had provided sufficient information in the PRO for the commencement of the formal review of the Stibnite Gold Project under the National Environmental Policy Act.

In conjunction with the filing of the PRO, also in September, the Corporation appointed Laurel Sayer as President and Chief Executive Officer of Midas Gold Idaho, Midas Gold's operating subsidiary in Idaho that operates the Project. In addition, Midas Gold announced the appointment of Michael Bogert to the board of directors of Midas Gold Corp., replacing Ms. Sayer as she stepped down to take on her new role. These appointments reflect Midas Gold's objective of increasing local accountability and local representation in all its activities.

## **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.

## 2017 OUTLOOK AND GOALS

During 2017, Midas Gold's objectives are to advance the permitting process for the Project under NEPA and, in parallel, to advance the technical work and studies needed to support the completion of a feasibility study for the Project, with a focus on enhancing metallurgical performance, optimizing resource estimates and derisking the Project through geotechnical, geochemical, environmental and other work programs. In conjunction with the foregoing, Midas Gold will continue to engage and consult with regulators, communities, tribes and other stakeholders in respect of the concepts for the Project set out in the PRO in order to ensure that plans for the restoration and redevelopment of the Project addresses concerns and issues to the extent environmentally, technically and commercially feasible.

The Corporation continues to balance the timing and prioritization of expenditures with the intention of delivering the Corporation's major objectives in a timely and cost effective manner.

## SELECTED ANNUAL INFORMATION

The following is a summary of certain selected audited consolidated financial information of the Corporation for the years ended December 31, 2016, 2015 and 2014:

| Year Ended<br>(All amounts in \$) | Revenue | Net Loss and<br>Comprehensive<br>Loss | Basic &<br>Diluted Loss<br>per Share | Total Assets | Long Term<br>Liabilities | Cash<br>Dividend |
|-----------------------------------|---------|---------------------------------------|--------------------------------------|--------------|--------------------------|------------------|
| December 31, 2016                 | -       | (46,163,054)                          | (0.27)                               | 109,030,690  | 68,381,594               | -                |
| December 31, 2015                 | -       | (10,923,528)                          | (0.07)                               | 76,587,908   | -                        | -                |
| December 31, 2014                 | -       | (14,363,436)                          | (0.10)                               | 82,439,836   | 456,350                  | -                |

## RESULTS OF OPERATIONS

### Net Loss and Comprehensive Loss

|   | Three Months Ended    |                      | Year Ended           |                      |
|---|-----------------------|----------------------|----------------------|----------------------|
|   | December<br>31, 2016  | December<br>31, 2015 | December<br>31, 2016 | December<br>31, 2015 |
| <b>EXPENSES</b>                                     |                       |                      |                      |                      |
| Consulting  | \$ 6,229              | \$ 1,665             | \$ 14,509            | \$ 2,806             |
| Corporate salaries and benefits                     | 391,419               | 160,721              | 945,490              | 698,418              |
| Depreciation  | 236,671               | 282,141              | 1,033,331            | 1,190,191            |
| Directors' fees                                     | 25,538                | 42,001               | 106,394              | 195,248              |
| Exploration and evaluation                          | 3,549,396             | 1,968,585            | 9,017,422            | 8,108,976            |
| Office and administrative                           | 52,572                | 41,339               | 251,446              | 241,392              |
| Professional fees                                   | 94,291                | 98,879               | 165,431              | 157,432              |
| Share based compensation                            | 160,867               | 40,579               | 745,841              | 547,327              |
| Shareholder and regulatory                          | 93,554                | 59,965               | 316,478              | 321,395              |
| Travel and related costs                            | 36,918                | 31,370               | 122,744              | 142,261              |
| <b>OPERATING LOSS</b>                               | <u>\$ 4,647,275</u>   | <u>\$ 2,727,245</u>  | <u>\$ 12,719,086</u> | <u>\$ 11,605,446</u> |
| <b>OTHER (INCOME) EXPENSES</b>                      |                       |                      |                      |                      |
| Change in fair value of warrant derivative          | \$ (247,626)          | \$ (34,461)          | \$ 2,980,265         | \$ (934,572)         |
| Change in fair value of Convertible Note derivative | (1,878,728)           | -                    | 31,249,896           | -                    |
| Finance Costs                                       | 508,700               | -                    | 2,128,914            | -                    |
| Foreign exchange loss (gain)                        | (1,597,215)           | 40,681               | (2,700,031)          | 275,800              |
| Interest (income) expense                           | (165,583)             | (6,247)              | (215,076)            | (23,146)             |
| Total other expenses                                | <u>\$ (3,380,452)</u> | <u>\$ (27)</u>       | <u>\$ 33,443,968</u> | <u>\$ (681,918)</u>  |
| <b>NET LOSS AND COMPREHENSIVE LOSS</b>              | <u>\$ 1,266,823</u>   | <u>\$ 2,727,218</u>  | <u>\$ 46,163,054</u> | <u>\$ 10,923,527</u> |

Net loss and comprehensive loss for Midas Gold for the three-month period ending December 31, 2016 was \$1.3 million compared with a loss of \$2.7 million for the corresponding period of 2015. This \$1.4 million change for the three months was primarily attributable to a non-cash gains related to the change in the fair value of the Convertible Note derivative and foreign exchange although these gains were offset by higher exploration and evaluation expenses. Net loss and comprehensive loss for Midas Gold for the year ended December 31, 2016 was \$46.2 million compared with a loss of \$10.9 million for the corresponding period of 2015. This \$35.2 million increase for the year was primarily attributable to the increase in the non-cash loss recorded on the change in the fair value of the Convertible Note derivative. As noted above, for the three months ended December 31, 2016, the Corporation's main focus was the 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 and year is comparable to the prior periods.

### Corporate 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 year and quarter ended December 31, 2016 are higher than the prior year due to bonus accruals earned during 2016 that are expected to be paid out in the first quarter of 2017.

### Depreciation

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

### Directors' Fees

Each of the Corporation's non-executive 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. On March 17, 2016, two independent directors were replaced by directors nominated by Paulson & Co. who have elected not to receive a fee. In addition, the independent directors of Midas Gold Idaho also reduced their overall compensation by approximately 25%, thereby reducing the overall director compensation going forward. Finally, the number of non-executive directors was reduced from eight to six at the Corporation's AGM in May 2015. As a result of these actions, this expense has decreased for the quarter and year as compared to prior periods.

### Exploration and Evaluation

This expense relates to all exploration and evaluation expenditures related to the Stibnite Gold Project, including labour, field office costs and environmental and sustainability costs. This expense for the current quarter and year is higher than the corresponding periods in the prior year with increases in drilling, support, and engineering costs. The environment and permitting costs in the prior year included significant environmental baseline studies. Additional details of expenditures incurred are as follows:

|   | Three Months Ended   |                      | Year Ended           |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | December<br>31, 2016 | December<br>31, 2015 | December<br>31, 2016 | December<br>31, 2015 |
| Exploration and Evaluation Expenditures   |                      |                      |                      |                      |
| Consulting and labor cost                 | 1,259,715            | 797,012              | 3,638,380            | 3,323,419            |
| Drilling                                  | 504,217              | 247                  | 706,497              | 28,176               |
| Field office and drilling support         | 619,073              | 379,204              | 1,487,531            | 1,279,314            |
| Engineering                               | 494,562              | 66,421               | 749,884              | 395,139              |
| Environmental and sustainability          | 632,626              | 704,792              | 2,395,704            | 3,050,788            |
| Geochemistry and geophysics               | 39,204               | 20,910               | 39,426               | 32,142               |
| <b>EXPLORATION AND EVALUATION EXPENSE</b> | <b>\$ 3,549,397</b>  | <b>\$ 1,968,585</b>  | <b>\$ 9,017,422</b>  | <b>\$ 8,108,978</b>  |

### Office and Administrative

This expense for the current quarter is predominantly the maintenance of an office in Vancouver, BC. The costs for the year ended December 31, 2016 are comparable to the prior year.

### Professional Fees

This expense relates to the legal and accounting costs of the Corporation. The costs for the year ended December 31, 2016 are comparable to the prior year.

### Share Based Compensation

This expense is due to the compensation of directors, officers, employees and consultants that are share based. This expense for the current quarter and the year is above the comparative periods in 2015 due to more options granted in the 2016 periods. 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 consolidated annual financial statements for the year ended December 31, 2016.

### **Shareholder and Regulatory**

This expense is associated with marketing, licenses and fees, and shareholder communications. The expense for the year is consistent with the prior year. The expense for the current quarter is above the comparative period as a result of an increased investor relations program with additional conferences and marketing expenses when compared to the prior year.

### **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 comparable to the same quarter in the previous year. The expense from the current year is below the comparative period from the prior year as a result of a reduced travel.

### **Change in Fair Value of Warrant Derivative**

The Corporation has issued warrants and finder's options in various financing transaction since 2013, all with exercise prices 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 (see Note 6 in the Financial Statements).

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

The Corporation issued Convertible Notes in March 2016 with an exercise price denominated in Canadian dollars. The Corporation determined that the Convertible 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. The Convertible Note derivative is valued at fair value in accordance with IFRS. There are no circumstances in which the Corporation would be required to pay cash upon conversion of the Convertible Notes (see Note 8 in the Financial Statements).

### **Finance Costs**

As a result of the issuance of the Convertible Note Derivatives described above the Corporation incurred costs associated with financing.

### **Foreign Exchange**

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

### **Interest Income**

This income results from interest received on the Corporation's cash balances. Interest income increased in the current quarter and year compared to the comparative periods in the prior year as a result of higher average cash balances.

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

### **Total Assets**

Total assets increased during the year ended December 31, 2016 from \$76.6 million to \$109.0 million primarily as a result of cash raised from the March 2016 Financing.

### **Equity**

Equity decreased during the year ended December 31, 2016 from \$75.7 million to \$37.5 million primarily as a result of the expense from the change in fair value of the Convertible Note derivative. The Convertible Note derivative is valued at fair value in accordance with IFRS. There are no circumstances in which the Corporation would be required to pay cash upon conversion of the Convertible Notes (see Note 8 in the Financial Statements).

## Total Liabilities

Total liabilities increased during the year ended December 31, 2016 from \$0.8 million to \$71.5 million, primarily as a result of the issuance of the Convertible Note in March 2016. Of this amount, \$49.0 million is related to the Convertible Note derivative at December 31, 2016, which is valued at fair value in accordance with IFRS. There are no circumstances in which the Corporation would be required to pay cash upon conversion of the Convertible Notes (see Note 8 in the Financial Statements).

## Cash Flows

Midas Gold's net change in cash and cash equivalents for the year ended December 31, 2016 was an inflow of \$32.7 million (2015 – \$5.1 million outflow). The inflows from financing activities during the year were partially reduced by outflows from operating and investing activities.

Operating cash outflows for the year ended December 31, 2016 were \$10.5 million (2015 - \$10.3 million) and Investing cash outflows for the year ended December 31, 2016 were \$0.6 million (2015 – \$0.5 million). Investing cash inflows for the year ended December 31, 2016 were \$44.0 million (2015 – 5.9 million)

Long term liabilities at December 31, 2016 (above) include a Convertible Note and Convertible Note derivative balance of \$19.3 million and \$49.0 million, respectively (2015 - \$nil). The Convertible Note derivative is valued at fair value in accordance with IFRS. There are no circumstances in which the Corporation would be required to pay cash upon conversion of the Convertible Notes (see Note 8 in the Financial Statements).

## 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 to Introduction above).

| Quarter Ended      | Revenue | Net Income (Loss)<br>& Comprehensive<br>Income (Loss) | Basic & Diluted<br>Income (Loss)<br>per Share | Total Assets | Long Term<br>Liabilities | Cash<br>Dividend |
|--------------------|---------|---|---|--------------|--------------------------|------------------|
|                    | \$      | \$  | \$  | \$           | \$                       | \$               |
| December 31, 2016  | -       | (1,266,823)   | (0.01)  | 109,030,690  | 68,381,594               | -                |
| September 30, 2016 | -       | (1,056,426)   | (0.01)  | 111,927,929  | 71,386,111               | -                |
| June 30, 2016      | -       | (40,358,417)  | (0.23)  | 113,855,019  | 73,438,810               | -                |
| 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 | -       | (2,718,764)   | (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   | -                        | -                |

The Corporation has had relatively consistent operating losses over the past two years, the most significant variances to the net loss and comprehensive loss is the change in the fair value of the warrant derivative, the Convertible Note Derivative and foreign exchange losses on the Convertible Note and Convertible Note Derivative. 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 quarters relates to various aspects of the financing that was closed in the quarter ended March 31, 2016. The long-term liability includes the Convertible Note derivative, which is valued at fair value in accordance with IFRS. There are no circumstances in which the Corporation would be required to pay cash upon conversion of the Convertible Notes (see Note 8 in the Financial Statements).



## **CAPITAL RESOURCES AND LIQUIDITY**

Capital resources of Midas Gold consist primarily of cash and liquid short-term investments. As at December 31, 2016, Midas Gold had cash totaling approximately \$37.1 million, approximately \$0.3 million in other current assets and \$1.3 million in trade and other payables.

With the financing completed in March 2016, 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, the Project, 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 and evaluation of mineral potential in and around the existing mineral resources and in the exploration prospects identified in the PFS, provided sufficient funds are available; and
- Proceeding with the regulatory process for the restoration and redevelopment of the Project, including the repair of legacy impacts and operation of a modern mining and processing facility that will provide a social and economic benefit to the local community.

Midas Gold has a current liability of \$1.9 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 (see Note 6 in the Financial Statements).

Midas Gold has long term liabilities of \$68.4 million related to the Convertible Notes and the related embedded derivative. The Convertible Note derivative is valued at fair value in accordance with IFRS. There are no circumstances in which the Corporation would be required to pay cash related to the \$49 million Convertible Note Derivative upon conversion of the Convertible Notes Convertible Note Derivative (see Note 8 in the Financial Statements).

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 2017 and to meet its administrative and overhead requirements for more than a year.

### **Contractual Obligations**

#### **Office Rent**

The Corporation entered into various lease agreements for office and storage space. The total rent obligation over the next five years is \$427,217 with \$184,112 due within one year and \$243,105 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, there is an annual fee 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 December 31, 2016 the remaining option payments due on the Cinnabar prospect are \$300,000, which will be paid over the next five years. The new agreement includes an option to extend up to 20 years.

## OFF BALANCE SHEET ARRANGEMENTS

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

## RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

During the year ended December 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>December 31, 2016</b> | <b>December 31, 2015</b> |
|--------------------------|--------------------------|--------------------------|
| Salaries and benefits    | \$ 1,056,121             | \$ 880,094               |
| Share based compensation | 464,227                  | 225,045                  |
|                          | <u>\$ 1,520,348</u>      | <u>\$ 1,105,139</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 December 31, 2016 and 2015.

There were no balances outstanding with related parties at December 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 December 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. Bureau of Land Management payment in lieu of assessment claim rental fees were paid during the previous quarter and the claims are all in good standing. During the quarter, a wholly owned subsidiary of the Corporation, acquired through a fee simple purchase agreement from private parties an additional land parcel totaling approximately 25 acres near the town of Cascade, Idaho to serve as a potential future logistics center.

The Stibnite Gold Project includes four known mineral deposits with identified mineral resources, as announced on September 10, 2014. Following completion of the PFS, the results of which were announced on December 15, 2014, Midas Gold also declared a mineral reserve for each of the four deposits, one of which is comprised of legacy tailings. 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, as set out in the PFS, reflect the extensively disturbed nature of the current site, which has been explored and mined for the past century. 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 site restoration and operation of the Project.

The Project (as detailed in the PFS) 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 would be conducted during the construction period for the Project or during the first few years of

operation, including the restoration of fish passage into the upper watershed 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” 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.

### **Permitting for Development**

On December 13, 2016, the U.S. Forest Service reported that it has determined that the Plan of Restoration and Operations filed by Midas Gold Idaho on September 21, 2016 for the restoration, re-development and operation of the Stibnite Gold Project in Valley County, Idaho has met the requirements for a plan of operations under U.S. Forest Service regulations. With this determination, the U.S. Forest Service has confirmed that Midas Gold provided sufficient information in the PRO to commence the formal review of the Stibnite Gold Project under the National Environmental Policy Act (“NEPA”). The Corporation is targeting completion of the agency and public review process and environmental impact statement in approximately two years, culminating in an Environmental Impact Statement and Record of Decision for the Stibnite Gold Project by the end of 2018.

### **District Exploration**

During fourth quarter of 2016, the Corporation continued a drill program that was initiated in the previous quarter. As noted above, the objective of the drill program is to enhance and de-risk the mineral resource associated with the Project. Results from the drilling have generally confirmed results predicted from the PFS block models and from legacy data, intersecting grades and widths of mineralization similar to or better than projections, with minor exceptions. Normal maintenance and upkeep of the Project infrastructure continued during the quarter. Office activities continued with efforts directed at updating geological, alteration and structural modelling of the mineral resources. During this period, members of the U.S. Geological Survey and the Idaho Geological Survey continued field and laboratory research studies as part of ongoing cooperative programs to investigate the origin and nature of the mineral deposits and prospects in the Project area. In addition, Idaho Geological Survey staff conducted office and field geotechnical and slope stability investigations pertaining to possible access roads to the site.

As previously reported, during the first quarter of 2016, Midas Gold’s exploration plan was approved by the US Forest Service and Midas Gold is free to carry out exploration in accordance with the approved plan. The US Forest Service Decision Notice included recommendations for additional mitigations and monitoring; the mitigation activities were initiated during the first quarter and continued into the fourth quarter and include numerous actions related to installation of new erosion control features and road improvements in and around the Project area and other environmental activities.

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

The Project is located in a historic mining district with extensive and widespread 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, but extensive disturbance and effects remain.

For additional disclosure on Environmental and Other Matters refer to the Corporation’s Annual Information Form for the years 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 past 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 \$4,502,325 at December 31, 2015 to \$37,180,354 at December 31, 2016. On March 17, 2016, the Corporation issued a Convertible Note for \$38.5 million (C\$50.0 million) and 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 and the change in fair value of the Convertible Note derivative which are discussed in Results of Operations.

## OUTSTANDING SHARE DATA

|   | February 23, 2017 | December 31, 2016 |
|---|-------------------|-------------------|
| Common shares issued and outstanding              | 180,140,767       | 180,002,017       |
| Options outstanding                               | 14,430,250        | 11,299,000        |
| Warrants outstanding                              | 7,622,620         | 7,645,120         |
| Shares issuable on conversion of Convertible Note | 141,255,581       | 141,255,581       |
| Total   | 343,449,218       | 340,201,718       |

## 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 both the design and operating effectiveness of its DC&P and ICFR and concluded that, as of December 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 December 31, 2016 which have materially affected, or are reasonably likely to materially affect, ICFR.

## EXTRACTIVE SECTOR TRANSPARENCY MEASURE ACT – REPORTING

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, 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 year ended December 31, 2016, it has made payments of fees and taxes, as defined by the Act, of US\$550,834, to government entities of the below. The Act only requires payments greater than C\$100,000 to be reported and the Corporation will follow these requirements, however the below is provided for additional transparency.

| Quarter | Payee                               | Details  | Amount    |
|---------|-------------------------------------|--|-----------|
| 2016 Q1 | Idaho Department of Lands           | Reimbursement of expenditures related to water quality testing at the Stibnite Gold Project.     | \$43,679  |
|         | Bureau of Land Management           | Fees associated with an administrative name change in 1,518 land claims.                         | \$15,180  |
| 2016 Q2 | Idaho Department of Lands           | Reimbursement of expenditures related to water quality testing at the Stibnite Gold Project.     | \$43,679  |
|         | City of Cascade                     | Donation to city for infrastructure improvements.  | \$25,000  |
| 2016 Q3 | Idaho Department of Lands           | Reimbursement of expenditures related to water quality testing at the Stibnite Gold Project.     | \$43,679  |
|         | Bureau of Land Management           | Fees associated with the renewal of 1,518 land claims.   | \$235,290 |
|         | Idaho Department of Water Resources | Reimbursement of expenditures related to stream gaging at the Stibnite Gold Project.             | \$13,519  |
|         | Valley County Road Department       | Reimbursement of expenditures related to maintenance of access road to the Stibnite Gold Project | \$92,802  |
| 2016 Q4 | Valley County Tax Collector         | Property Taxes   | \$22,004  |
|         | Idaho Department of Lands           | Reimbursement of expenditures related to water quality testing at the Stibnite Gold Project.     | \$16,000  |
| Total   |                                     |  | \$550,832 |

## USE OF PROCEEDS

The Corporation received net proceeds of \$41.5 million in March 2016 related to the issuance of Convertible Notes and Shares through a private placement. At the time, the Corporation had approximately \$3.0 million in cash on hand. For the purposes of this use of proceeds statement it is assumed that funds on hand were utilised by June 30, 2016 and that the proposed use of proceeds will be compared to expenditures from July 1, 2016 onwards:

| Expense Category<br>(in millions)     | Proposed Use<br>of Proceeds | Actual<br>Use of<br>Proceeds | Remaining to<br>be Spent /<br>Difference |
|---------------------------------------|-----------------------------|------------------------------|--|
| Baseline Data Collection & Land Title | \$ 8.3                      | \$ 1.3                       | \$ 7.0                                   |
| Permitting and Regulatory             | 8.3                         | 0.2                          | 8.1                                      |
| Technical Studies, FS & Exploration   | 12.4                        | 4.0                          | 8.4                                      |
| Legal & Sustainability                | 4.1                         | 0.6                          | 3.5                                      |
| Corporate Costs and Working Capital   | 8.3                         | 1.2                          | 7.1                                      |
|                                       | \$ 41.4                     | \$ 7.3                       | \$ 34.1                                  |

## 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, convertible debentures, warrants, options or other securities.

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, 2016 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 the future production of mineral reserves.**

The commercial feasibility of the Project and Midas Gold's ability to arrange funding to conduct its planned exploration projects is dependent on, among other things, the price of gold and other potential by-products. Depending on the price to be received for any minerals produced, Midas Gold may determine that it is impractical to commence or continue commercial production. A reduction in the price of gold or other potential by-products may prevent the Project from being economically mined or result in the write-off of assets whose value is impaired as a result of low precious metals prices.

Future revenues, if any, are expected to be in large part derived from the future mining and sale of gold and other potential by-products or interests related thereto. The prices of these commodities fluctuate and are affected by numerous factors beyond Midas Gold's control, including, among others:

- international economic and political conditions,
- expectations of inflation or deflation,
- international currency exchange rates,
- interest rates,
- global or regional consumptive patterns,
- speculative activities,
- levels of supply and demand,
- increased production due to new mine developments,
- decreased production due to mine closures,
- improved mining and production methods,
- availability and costs of metal substitutes,
- metal stock levels maintained by producers and others, and
- inventory carrying costs.

The effect of these factors on the price of gold and other potential by-products cannot be accurately predicted. If the price of gold and other potential by-products decreases, the value of Midas Gold's assets would be materially and adversely affected, thereby materially and adversely impacting the value and price of Midas Gold's common shares.

**Global financial markets can have a profound impact on the global economy, in general and on the mining industry in particular.**

Many industries, including the precious metal mining industry, are impacted by global market conditions. Some of the key impacts of financial market turmoil can include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global and specifically mining equity markets, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. A slowdown in the financial markets or other economic conditions, including but not limited to, reduced consumer spending, increased unemployment rates, deteriorating business conditions, inflation, deflation, volatile fuel and energy costs, increased consumer debt levels, lack of available credit, lack of future financing, changes in interest rates and tax rates may adversely affect Midas Gold's growth and profitability potential.

Specifically:

- a global credit/liquidity crisis could impact the cost and availability of financing and Midas Gold's overall liquidity;
- the volatility of gold and other potential by-product prices may impact Midas Gold's future revenues, profits and cash flow;
- volatile energy prices, commodity and consumables prices and currency exchange rates impact potential production costs; and
- the devaluation and volatility of global stock markets impacts the valuation of the Corporation's equity securities, which may impact its ability to raise funds through the issuance of equity.

**Mineral exploration and development in the United States is subject to numerous regulatory requirements on land use.**

Mineral exploration and development in the United States is subject to Federal, State and local regulatory processes and evolving application of environmental and other regulations can and has affected the ability to advance mineral projects as effectively as in prior years. A number of mineral projects in the United States have been subjected to regulatory delays or actions that have impeded the progress of these projects towards production.

**Resource exploration and development is a high risk, speculative business.**

Resource exploration and development is a speculative business, characterized by a high number of failures. Substantial expenditures are required to discover new deposits and to develop the infrastructure, mining and processing facilities at any site chosen for mining. Most exploration projects do not result in the discovery of commercially viable deposits and no assurance can be given that any particular level of recovery or mineral reserves will in fact be realized by Midas Gold or that mineral deposit identified by Midas Gold will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited.

**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.**

The Project, and any future operations in which Midas Gold has a direct or indirect interest, will be subject to all the hazards and risks normally incidental to resource companies. Fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are some of the industry operating risks involved in the conduct of exploration programs and the operation of mines. If any of these events were to occur, they could cause injury or loss of life, severe damage to or destruction of property. As a result, Midas Gold could be the subject of a regulatory investigation, potentially leading to penalties and suspension of operations. In addition, Midas Gold may have to make expensive repairs and could be subject to legal liability. The occurrence of any of these operating risks and hazards may have an adverse effect on Midas Gold's financial condition and operations, and correspondingly on the value and price of Midas Gold's common shares.

**Mineral exploration and development activities are subject to geologic uncertainty and inherent variability.**

There is inherent variability between duplicate samples taken adjacent to each other and between sampling points that cannot be reasonably eliminated. There may also be unknown geologic details that have not been identified or correctly appreciated at the current level of delineation. This results in uncertainties that cannot be reasonably eliminated from the estimation process. Some of the resulting variances can have a positive effect and others can have a negative effect on mining and processing operations.

**The quantification of mineral resources and mineral reserves is based on estimates and is subject to great uncertainty.**

The calculations of amounts of mineralized material within mineral resources and mineral reserves are estimates only. Actual



recoveries of gold and other potential by-products from mineral resources and mineral reserves may be lower than those indicated by test work. Any material change in the quantity of mineralization, grade, tonnage or stripping ratio, or the price of gold and other potential by-products, may affect the economic viability of a mineral property. In addition, there can be no assurance that the recoveries of gold and other potential by-products in small-scale laboratory tests will be duplicated in larger scale pilot plant tests under on-site conditions or during production. Notwithstanding the results of any pilot plant tests for metallurgy and other factors, there remains the possibility that the ore may not react in commercial production in the same manner as it did in testing.

Mining and metallurgy are an inexact science and, accordingly, there always remains an element of risk that a mine may not prove to be commercially viable. Until a deposit is actually mined and processed, the quantity of mineral reserves, mineral resources and grades must be considered as estimates only. In addition, the determination and valuation of mineral reserves and mineral resources is based on, among other things, assumed metal prices. Market fluctuations and metal prices may render mineral resources and mineral reserves uneconomic. Any material change in quantity of mineral reserves, mineral resources, grade, tonnage, percent extraction of those mineral reserves recoverable by underground mining techniques or stripping ratio for those mineral reserves recoverable by open pit mining techniques may affect the economic viability of a mining project.

**Increased operating and capital costs may adversely affect the viability of existing and proposed mining projects.**

The mining industry has at times been subjected to conditions that have resulted in significant increases in the cost of equipment, labour and materials. Midas Gold used benchmarked data for the operation and capital costs included in its PFS issued December 15, 2014, however there is no guarantee that development or operations of the Project will eventuate, and if it did, such operating or capital costs will prevail.

**The Corporation's Risks**

**Midas Gold will need to raise additional capital though 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 does not generate any revenues and does not have sufficient financial resources to undertake by itself all of its planned exploration programs. Midas Gold has limited financial resources and has financed its activities primarily through the sale of Midas Gold's securities such as common shares and convertible notes. Midas Gold will need to continue its reliance on the sale of its securities for future financing, resulting in dilution to existing shareholders. Further activities will depend on Midas Gold's ability to obtain additional financing, which may not be available under favourable terms, if at all. If adequate financing is not available, Midas Gold may not be able to commence or continue with its activities.

**Midas Gold has an obligation to repay the outstanding principal under the Convertible 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 Convertible Notes.**

Midas Gold does not generate revenue and has announced a plan in how it intends to use the proceeds from the issuance of the Convertible Notes over the term of the Convertible Notes. In order to repay the outstanding principal Midas Gold either needs to arrange debt, equity or other forms of funding, to either, develop the Stibnite Gold Project and repay the Convertible Notes from operating cash flows or to repay the Convertible Notes in full. The risks associated with the development of the Stibnite Gold Project as stated in this section are high. There are no circumstances in which the Corporation would be required to pay cash upon conversion of the Convertible 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.**

Sales of substantial amounts of Midas Gold's common shares into the public market by unrelated shareholders, Midas Gold's officers or directors or pursuant to the exercise of options or warrants, or even the perception by the market that such sales may occur, may lower the market price of the Corporation's common shares.

**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 mineral exploration and development activities are subject to various laws and regulations governing operations, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people

and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration, development or production. Amendments to current laws and regulations governing operations, or more stringent implementation thereof could substantially increase the costs associated with Midas Gold's business or prevent it from exploring or developing its properties.

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on Midas Gold and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

**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.**

Third parties commonly challenge permits related to exploration, development and mining projects and there is possibility that such parties may challenge Midas Gold's permits for its activities.

**Midas Gold has not completed an environmental impact statement, nor has it received the necessary permits for water or explosives to conduct mining operations.**

The department responsible for environmental protection in the U.S. has broad authority to shut down and/or levy fines against facilities that do not comply with environmental regulations or standards. Failure to obtain the necessary permits would adversely affect progress of Midas Gold's activities and would delay or prevent the beginning of commercial operations.

**Midas Gold's activities are subject to environmental liability.**

Midas Gold is not aware of any claims for damages related to any impact that its operations have had on the environment but it may become subject to such claims in the future. An environmental claim could adversely affect Midas Gold's business due to the high costs of defending against such claims and its impact on senior management's time. Also, environmental regulations may change in the future which could adversely affect Midas Gold's operations including the potential to curtail or cease exploration programs or to preclude entirely the economic development of a mineral property. The extent of any future changes to environmental regulations cannot be predicted or quantified, but it should be assumed that such regulations would become more stringent in the future. Generally, new regulations will result in increased compliance costs, including costs for obtaining permits, delays or fines resulting from loss of permits or failure to comply with the new regulations.

**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.**

The mineral resource industry is intensively competitive in all of its phases, and Midas Gold competes with many companies possessing much greater financial and technical research resources. Competition is particularly intense with respect to the acquisition of desirable undeveloped gold properties. The principal competitive factors in the acquisition of such undeveloped properties include the staff and data necessary to identify, investigate and purchase such properties, and the financial resources necessary to acquire and develop such properties. Competition could adversely affect Midas Gold's ability to advance the Project or to acquire suitable prospects for exploration in the future.

**Midas Gold's exploration efforts may be unsuccessful.**

Mineral resource exploration and, if warranted, development, is a speculative business, characterized by a number of significant risks, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits, which, though present, are insufficient in volume and/or grade to return a profit from production. There is no certainty that the expenditures that have been made and may be made in the future by Midas Gold related to the exploration of its properties will result in discoveries of mineralized material in commercial quantities.

Most exploration projects do not result in the discovery of commercially viable mineral deposits and no assurance can be given that any particular level of recovery or mineral reserves will in fact be realized or that any identified mineral deposit will ever qualify as a commercially viable deposit which can be legally and economically exploited.

**Midas Gold's mineral resource and mineral reserve estimates may not be indicative of the actual gold that can be mined.**

Assays results from core drilling or reverse circulation drilling can be subject to errors at the laboratory analyzing the drill

samples. In addition, reverse circulation or core drilling may lead to samples which may not be representative of the gold or other metals in the entire deposit. Mineral resource and mineral reserve estimates are based on interpretation of available facts and extrapolation or interpolation of data and may not be representative of the actual deposit. All of these factors may lead to mineral resource and/or mineral reserve estimates being overstated, the mineable gold that can be received from the project being less than the mineral resource and mineral reserve estimates, and the Project not being a viable project.

If Midas Gold's mineral resource and mineral reserve estimates for the Project are not indicative of actual grades of gold and other potential by-products, Midas Gold will have to continue to explore for a viable deposit or cease operations.

**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 has only been actively engaged in exploration since 2009. Midas Gold does not generate any revenues from operations or production. Putting a mining project into production requires substantial planning and expenditures and, whilst several members of the management, have mine construction experience, as a corporation, Midas Gold does not have any experience in taking a mining project to production. As a result of these factors, it is difficult to evaluate Midas Gold's prospects, and its future success is more uncertain than if it had a longer or more proven history.

**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 has incurred net losses every year since inception. Midas Gold currently has no commercial production and has never recorded any revenues from mining operations. Midas Gold expects to continue to incur losses, and will continue to do so until such time, if ever, as its properties commence commercial production and generate sufficient revenues to fund continuing operations.

The proposed development of new mining operations will require the commitment of substantial resources for operating expenses and capital expenditures, which may increase in subsequent years as Midas Gold adds, as needed, consultants, personnel and equipment associated with advancing exploration, development and commercial production of the Project or any other properties. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture or other agreements with others in the future, its acquisition of additional properties, and other factors, many of which are unknown today and may be beyond the Corporation's control. Midas Gold may never generate any revenues or achieve profitability. If Midas Gold does not achieve profitability, it would have to raise additional financing or shut down its operations.

**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 properties consist of various mining concessions in the U.S. Under U.S. law, the concessions may be subject to prior unregistered agreements or transfers, which may affect the validity of Midas Gold's ownership of such concessions. A claim by a third party asserting prior unregistered agreements or transfer on any of Midas Gold's mineral properties, especially where commercially viable mineral reserves have been located, could adversely result in Midas Gold losing commercially viable mineral reserves. Even if a claim is unsuccessful, it may potentially affect Midas Gold's current activities due to the high costs of defending against such claims and its impact on senior management's time. If Midas Gold loses a commercially viable mineral reserve, such a loss could lower Midas Gold's revenues or cause it to cease operations if this mineral reserve represented all or a significant portion of Midas Gold's operations at the time of the loss.

**Midas Gold's ability to explore and, if warranted, develop 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.**

Several of the patented lode and mill site claims acquired by Midas Gold over the West End Deposit and the Cinnabar claim groups (held under option) are subject to a consent decree, which covers certain environmental liability and remediation responsibilities with respect to such claims. The consent decree 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 are subject to a consent decree between the owner of those claims and the United States, which creates certain obligations on that owner, including that that 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.

All industries, including mining, are subject to legal claims with or without merit. Defense and settlement costs can be substantial, even with respect to claims without merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular claim could have an effect on the Corporation's financial position. It is possible that any proposal to develop a mine on the Project, or any governmental approval for such a development, could be challenged in court by third parties, the effect of which would be to delay and possibly entirely impede the Corporation from developing the Project or commencing production.

**Midas Gold depends on key personnel for critical management decisions and industry contacts but does not maintain key person insurance.**

Midas Gold is dependent on a relatively small number of key personnel, the loss of any of whom could have an adverse effect on the operations of Midas Gold. Midas Gold's success is dependent to a great degree on its ability to attract and retain highly qualified management personnel. The loss of any such key personnel, through incapacity or otherwise, would require Midas Gold to seek and retain other qualified personnel and could compromise the pace and success of its exploration activities. Midas Gold does not maintain key person insurance in the event of a loss of any such key personnel.

**Midas Gold does not have a full staff of technical people and relies upon outside consultants to provide critical services.**

Midas Gold has a relatively small staff and depends upon its ability to hire consultants with the appropriate background and expertise as such persons are required to carry out specific tasks. Midas Gold's inability to hire the appropriate consultants at the appropriate time could adversely impact Midas Gold's ability to advance its exploration activities.

**Certain Midas Gold directors also serve as officers and/or directors of other mineral resource companies, which may give rise to conflicts.**

Certain Midas Gold directors and officers are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. Directors and officers of the Corporation with conflicts of interest will be subject to and will follow the procedures set out in applicable corporate and securities legislation, regulations, rules and policies.

**Midas Gold has no history of paying dividends, does not expect to pay dividends in the immediate future and may never pay dividends.**

Since incorporation, neither Midas Gold nor any of its subsidiaries have paid any cash or other dividends on its common shares, and the Corporation does not expect to pay such dividends in the foreseeable future, as all available funds will be invested primarily to finance its mineral exploration programs.

**Midas Gold's business involves risks for which Midas Gold may not be adequately insured, if it is insured at all.**

In the course of exploration and development of, and production from, mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including landslides, ground failures, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks. Midas Gold does not currently have insurance against all such risks and may decide not to take out insurance against all such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of Midas Gold.

Additionally, the Corporation is not insured against most environmental risks. Insurance against all environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products by third-parties occurring as part of historic exploration and production) has not been generally available to companies within the industry. The Corporation periodically evaluates the cost and coverage of the insurance that is available against certain environmental risks to determine if it would be appropriate to obtain such insurance. Without such insurance, or with limited amounts of such insurance, and if the Corporation becomes subject to environmental liabilities, the payment of such liabilities would reduce or eliminate its available funds or could exceed the funds the Corporation has to pay such liabilities and result in bankruptcy. Should the Corporation be unable to fully fund the remedial cost of an environmental problem, it might be required to enter into interim compliance measures pending completion of the required remedy.

**A shortage of supplies and equipment could adversely affect Midas Gold's ability to operate its business.**

Midas Gold is dependent on various supplies and equipment to carry out its activities. The shortage of such supplies, equipment and parts could have a material adverse effect on Midas Gold's ability to carry out its activities and therefore have a material adverse effect on the cost of doing business.

**A cyber security incident could adversely affect Midas Gold's ability to operate its business.**

Information systems and other technologies, including those related to the Corporation's financial and operational management, and its technical and environmental data, are an integral part of the Corporation's business activities. Network and information systems related events, such as computer hacking, cyber-attacks, computer viruses, worms or other destructive or disruptive software, process breakdowns, denial of service attacks, or other malicious activities or any combination of the foregoing or power outages, natural disasters, terrorist attacks, or other similar events could result in damages to the Corporation's property, equipment and data. These events also could result in significant expenditures to repair or replace damaged property or information systems and/or to protect them from similar events in the future. Furthermore, any security breaches such as misappropriation, misuse, leakage, falsification, accidental release or loss of information contained in the Corporation's information technology systems including personnel and other data that could damage its reputation and require the Corporation to expend significant capital and other resources to remedy any such security breach. Insurance held by the Corporation may mitigate losses however in any such events or security breaches may not be sufficient to cover any consequent losses or otherwise adequately compensate the Corporation for any disruptions to its business that may result and the occurrence of any such events or security breaches could have a material adverse effect on the business of the Corporation. There can be no assurance that these events and/or security breaches will not occur in the future or not have an adverse effect of the business of the Corporation.

**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 extensive disturbance resulting from prior mining activities. For Midas Gold to advance its interests at the Stibnite site, 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.