NuLegacy Gold Corporation

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2014

## GENERAL

The purpose of this Management Discussion and Analysis ("**MD&A**") is to explain management's point of view regarding the past performance and future outlook of NuLegacy Gold Corporation. ("**NuLegacy**" or the "**Company**"). This report also provides information to improve the reader's understanding of the financial statements and related notes as well as important trends and risks affecting the Company's financial performance, and should therefore be read in conjunction with the Company's condensed interim consolidated financial statements and notes for the three and six months ended September 30, 2014 (the "**Interim Financial Statements**"), the annual audited consolidated financial statements (the "**2014 Annual Financial Statements**") for the year ended March 31, 2014 and the Company's annual management discussion and analysis (the "**2014 Annual MD&A**").

All information contained in this MD&A is current as of November 20, 2014 unless otherwise stated.

All financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

Additional information on the Company is available on SEDAR at www.sedar.com and at the Company's website, www.*nulegacygold*.com.

## FORWARD LOOKING STATEMENTS

Certain sections of this MD&A may contain forward-looking statements.

All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words.

Forward-looking statements contained or incorporated by reference in this MD&A may relate to the Company's future financial condition, results of operations, plans, objectives, performance or business developments including, among other things, exploration and work programs, drilling plans and timing of drilling, plans for development and facilities construction and timing, method of funding and completion thereof, the performance characteristics of the Company's exploration and evaluation assets, drilling, results of various projects of the Company, the existence of mineral resources or reserves and the timing of development thereof, projections of market prices and costs, supply and demand for gold and other precious metals, expectations regarding the ability to raise capital and to acquire reserves through acquisitions and/or development, treatment under governmental regulatory regimes and tax laws, and capital expenditure programs and the timing and method of financing thereof. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The estimates and assumptions of the Company contained or incorporated by reference in this MD&A, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth herein or as otherwise expressly incorporated herein by reference as well as: (1) there being no significant disruptions affecting operations, whether due to labour disruptions, supply disruptions, power disruptions, damage to equipment, adverse weather conditions or otherwise; (2) permitting, access, exploration, expansion and acquisitions at our projects (including, without limitation, land acquisitions for and permitting of exploration plans) being consistent with the Company's current expectations; (3) the viability, permitting, access, exploration and development of the Red Hill project including, but not limited to, the establishment of resources being consistent with the Company's current expectations; (4) political developments in the State of Nevada including, without limitation, the implementation of the new Nevada state mining tax and related regulations being consistent with the Company's current expectations; (5) the exchange rate between the Canadian dollar and the U.S. dollar being approximately consistent with current levels; (6) certain price assumptions for gold and silver; (7) prices for and availability of equipment, labor, natural gas, fuel oil, electricity, water and other key supplies remaining consistent with current levels; (8) the results of the Company's exploration program on the Red Hill project being consistent with the Company's expectations; (9) labor and materials costs increasing on a basis consistent with the Company's current expectations; (10) the availability and timing of additional financing being consistent with the Company's current expectations. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to: fluctuations in the currency markets; fluctuations in the spot and forward price of gold or certain other commodities (such as diesel fuel and electricity); changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada, the United States, or other countries in which the Company may carry on business in the future; business opportunities that may be presented to, or pursued by, us; our ability to successfully integrate acquisitions; operating or technical difficulties in connection with exploration or development activities; employee relations; the speculative nature of gold exploration and development, including the risks of obtaining necessary licenses and permits; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel, incorrect assessments of the value of acquisitions, geological, technical, drilling and processing problems, fluctuations in foreign exchange or interest rates and stock market volatility, changes in income tax laws or changes in tax laws and incentive programs relating to the mineral resource industry; and contests over title to properties, particularly title to undeveloped properties. In addition, there are risks and hazards associated with the business of gold exploration, development and mining, including environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, flooding and gold bullion losses (and the risk of inadequate insurance, or the inability to obtain insurance, to cover these risks). Many of these uncertainties and contingencies can affect the Company's actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future. All of the forward-looking statements made or incorporated by reference in this MD&A are qualified by these cautionary statements and those made in our other filings with applicable securities regulators in Canada. These factors are not intended to represent a complete list of the factors that could affect the Company and readers should not place undue reliance on forward-looking statements in this MD&A. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

The forward looking statements contained herein are based on information available as of November 20, 2014.

## DESCRIPTION OF BUSINESS

NuLegacy Gold Corporation (the "Company" or "NuLegacy") was incorporated on May 19, 2009 in the province of British Columbia. The Company is listed on the TSX Venture Exchange under the symbol "NUG" as a Tier 2 mining issuer.

The Company's objective is to discover and vend significant multi-million ounce Carlin-type replacement gold deposits. The Company is in the process of exploring its mineral properties; however, has yet to determine whether these properties contain mineral reserves that are economically recoverable. To date, the Company has not earned revenues from its exploration activities and is considered to be in the exploration stage.

The Company is focused on the acquisition and exploration of mineral resource properties exclusively in the State of Nevada, United States. The Company has under option the 104 square km Red Hill Project in the well-established and prolific Cortez gold trend of Nevada. The Cortez gold trend currently contains three of the largest Carlin-type gold deposits in the world which comprise Barrick Gold Corporation's ("Barrick") multi-million ounce Cortez gold mining complex.

The Company has the option to earn a 70% undivided interest in the Red Hill Project, which remains the Company's primary objective. The focus is to delineate a threshold level of gold resources within the Iceberg deposit and explore the three other prospective Carlin-type targets identified to date. See "Summary of Exploration Activities" section below.

Based on recent acquisition history in Nevada, the Company anticipates that a 'threshold' gold resource target of 1.5 million NI 43-101 qualified ounces of near-surface oxide gold would provide an opportunity to leverage the Barrick option, which would support:

- A Barrick decision to 'earn-back to 70%' and therefore, carry the Company to production;
- Attract a buy-out of the Company's 70% interest in the property; or
- A production decision.

<u>Overall Performance – Second Quarter Financial and Operating Highlights</u>

Net loss in the three months ended September 30, 2014 was $351,595 compared to a net loss of $268,488 in the comparative period ended September 30, 2013. The higher net loss experienced in the current period is largely the result of higher (1) investor relation and consulting fees in connection with normalizing prior austerity cuts to management compensation and (2) share based compensation as the Company granted more stock options in the current period. This increase was partially offset by the implementation of cost cutting initiatives that saw reduced professional fees, rent and travel accommodation costs.

Comprehensive loss in the three months ended September 30, 2014 was $634,823 compared to a comprehensive loss of $266,488 in the comparative period. The Company recognized an amount of $283,228 in other comprehensive loss due to the net change in fair value of its available for sale financial asset in the current period. As the Company did not own any available for sale financial assets in the comparative period, there was no difference between net loss and comprehensive loss.

The total net increase in cash and cash equivalents during the six months ended September 30, 2014 was $2,179,173 compared to $34,587 in the comparative period ended September 30, 2013. The Company received net proceeds of $3,504,578 from financing activities in the current period relating to the Waterton financing whereas the Company received $1,095,677 in net proceeds from the closing of a private placement in the comparative period. On the other hand, the Company spent $735,908 on investing activities in the current period versus $557,067 in the comparative period. The higher cash outflow from investing activities in the current period was mainly due to the Company's increased exploration and evaluation asset activity related to higher assay and drilling costs on the Barrick Property. In addition, the Company's cash outflow from operating activities was $589,497 versus $504,023 in the comparative period.

During the six months ended September 30, 2014, the Company incurred a total of $823,703 and $87,260 in deferred exploration costs on its Barrick and Wilson Property, respectively, for total deferred exploration costs of $910,963. For a more detailed description of the Company's exploration expenditures, interest in its exploration and evaluation assets and the terms and conditions of the underlying agreements, please refer to the "Summary of Exploration Activities" section.

<u>Operating Highlight</u>

In August 2014, the Company closed a $3,531,250 financing with Waterton Precious Metals Fund II Cayman, LP ("Waterton") at $0.125 per share by way of a non-brokered private placement of 28,250,000 common shares, which are subject to a four month hold period. No finder's fees or warrants were paid or issued in respect of this financing.

The Company intends to use the proceeds from the financing towards exploration on the Company's Iceberg gold deposit in Nevada, general working capital and other corporate purposes.

Subsequent events

In October 2014, the Company granted 300,000 stock options to consultants of the Company exercisable at $0.15 per option with an expiry date of five years from the date of grant.

In November 2014, 4,559,766 share purchase warrants expired unexercised.

## SUMMARY OF QUARTERLY RESULTS

The following selected quarterly financial information is derived from the condensed interim consolidated financial statements of the Company:

| | Sept 30, 2014 | June 30, 2014 | Mar 31, 2014 | Dec 31, 2013 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Net loss | (351,595) | (385,042) | (404,869) | (250,619) |
| Comprehensive loss | (634,823) | (764,403) | (979,177) | (250,619) |
| Loss per share-basic and diluted | (0.00) | (0.01) | (0.01) | (0.00) |
| Comprehensive loss per share-basic and diluted | (0.01) | (0.00) | (0.02) | (0.00) |

| | Sept 30, 2013 | June 30, 2013 | Mar 31, 2013 | Dec 31, 2012 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Net loss | (268,488) | (310,933) | (4,056,741) | (309,169) |
| Comprehensive loss | (268,488) | (310,933) | (4,056,741) | (309,169) |
| Loss per share-basic and diluted | (0.00) | (0.00) | (0.06) | (0.00) |
| Comprehensive loss per share-basic and diluted | (0.00) | (0.00) | (0.06) | (0.00) |

The variations in the losses from quarter to quarter are mainly due to the level of administrative expenses incurred by the Company and are fairly consistent from quarter to quarter with the exception of:

- The quarters ended September 30, 2014, June 30, 2014 and March 31, 2014, where the Company recorded an unrealized loss of $283,228, $379,361 and $574,308, respectively, from the change in fair value of its available for sale financial assets.
- The quarter ended March 31, 2013 where the Company wrote off $3,512,330 in exploration and evaluation assets due to the termination of the Miranda Property and Miranda (Coal Canyon) Option Agreements in January 2013 and the Wood Hills South Property Option Agreement in April 2013.

### SELECTED QUARTERLY INFORMATION

The following financial data is derived from the condensed interim consolidated financial statements of the Company for the three and six months ended September 30, 2014 and 2013:

| | For the three months ended September 30, | | For the six months ended September 30, | |
|---|---|---|---|---|
| | 2014<br>$ | 2013<br>$ | 2014<br>$ | 2013<br>$ |
| Revenue | - | - | - | - |
| Operating expenses | (387,166) | (248,637) | (726,696) | (590,404) |
| Net loss | (351,595) | (268,488) | (736,637) | (579,421) |
| Comprehensive loss | (634,823) | (268,488) | (1,399,226) | (579,421) |
| Net loss per share-basic and diluted | (0.00) | (0.00) | (0.01) | (0.01) |
| Comprehensive loss per share-basic and diluted | (0.01) | (0.00) | (0.01) | (0.01) |
| Working capital | 5,083,459 | 641,518 | 5,083,459 | 641,518 |
| Exploration and evaluation assets | 3,628,278 | 2,523,547 | 3,628,278 | 2,523,547 |
| Total assets | 9,067,691 | 3,223,654 | 9,067,691 | 3,223,654 |
| Total liabilities | 247,513 | 35,581 | 247,513 | 35,581 |

To date, all of the Company's projects are at the exploration stage and the Company has not generated any revenues other than interest income.

At September 30, 2014, the Company had not yet achieved profitable operations and has an accumulated deficit of $10,340,598 (March 31, 2014 – $9,603,961) since inception. For the six months ended September 30, 2014, losses resulted in a net loss per share (basic and diluted) of $0.01 (September 30, 2013 - $0.01) and comprehensive loss per share (basic and diluted) of $0.01 (September 30, 2013 - $0.01).

### RESULTS OF OPERATIONS

For the six months ended September 30, 2014, the Company incurred $726,696 in operating expenses (September 30, 2013 – $590,404), had a net loss of $736,637 (September 30, 2013 – $579,421) and comprehensive loss of $1,399,226 (September 30, 2013 – $579,421).

The table below details the major changes in operating expenses for the three months ended September 30, 2014 as compared to the corresponding three months ended September 30, 2013.

| Expense | Amount of increase / decrease from comparative period | Explanation for Change |
|---|---|---|
| Consulting | Increase of $49,193 | Increased due to payments to normalize prior austerity cut to management compensation |
| Investor relations | Increase of $44,266 | Increased due to payments to normalize prior austerity cut to management compensation |
| Office | Increase of $8,791 | Increased due to more general corporate activities |
| Professional fees | Decrease of $6,930 | Decreased due to the reversal of prior year's audit accrual |
| Share based payments | Increase of $55,029 | Increased due to more stock options granted in the current period |
| Travel and accommodation | Decrease of $5,655 | Decreased travel expenses related to fewer trips made to the Reno office |

The table below details the major changes in operating expenses for the six months ended September 30, 2014 as compared to the corresponding six months ended September 30, 2013.

| Expense | Amount of increase / decrease from comparative period | Explanation for Change |
|---|---|---|
| Consulting | Increase of $47,012 | Increased due to payments to normalize prior austerity cut to management compensation |
| Investor relations | Increase of $32,337 | Increased due to payments to normalize prior austerity cut to management compensation |
| Professional fees | Decrease of $7,275 | Decreased due to the reversal of prior year's audit accrual |
| Regulatory and transfer agent | Increase of $14,442 | Increased due to more corporate activities resulting in increased new releases and regulatory fees |
| Rent | Decrease of $14,601 | Decreased due to reduced rent at the Reno office |
| Share based payments | Increase of $82,484 | Increased due to more stock options granted in the current period |
| Travel and accommodation | Decrease of $18,048 | Decreased travel expenses related to fewer trips made to the Reno office |

## SUMMARY OF EXPLORATION ACTIVITIES

The Company's main properties of interest are the Red Hill properties located in Nevada, USA.

For the six months ended September 30, 2014, the Company incurred a total of $910,963 in deferred exploration costs compared to $530,411 for the corresponding six months ended September 30, 2013.

The following is a breakdown of the material components of the Company's deferred exploration and development costs, on a property by property basis, for the six months ended September 30, 2014 and September 30, 2013:

| | Barrick Property | Wilson Property | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Six months ended September 30, 2014** | | | |
| Assays | 63,549 | - | 63,549 |
| Drilling | 375,929 | - | 375,929 |
| Geological consulting | 200,784 | 42 | 200,826 |
| Miscellaneous | 12,858 | 179 | 13,037 |
| Property maintenance | 143,967 | 87,039 | 231,006 |
| Travel | 26,616 | - | 26,616 |
| **Total** | **823,703** | **87,260** | **910,963** |
| **Six months ended September 30, 2013** | | | |
| Assays | 15,695 | - | 15,695 |
| Drilling | 104,700 | - | 104,700 |
| Geological consulting | 192,591 | - | 192,591 |
| Miscellaneous | 4,733 | 46 | 4,779 |
| Property maintenance | 126,596 | 74,606 | 201,202 |
| Travel | 10,899 | 545 | 11,444 |
| **Total** | **455,214** | **75,197** | **530,411** |

During the six months ended September 30, 2014, the Company incurred $823,703 compared to $455,214 in the comparative period ended September 30, 2013 on the Barrick Property. The primary reasons for the higher expenditures in the current period are the result of:

- The work commitment requirement under the Barrick option agreement is significantly higher in the current year; therefore, the Company has incurred more expenditures to ensure that the Company will meet the US$1,125,000 requirement by December 31, 2014; and
- Expanding the size of the potential exploration target identified in the Iceberg gold deposit which has contributed to higher drilling and assays costs.

The total cumulative acquisition and deferred exploration costs to September 30, 2014 are summarized as follows:

| | Barrick Property | Wilson Property | Total |
|---|---|---|---|
| | $ | $ | $ |
| Acquisition costs | 16,153 | 149,718 | 165,871 |
| Assays | 197,951 | 26,228 | 224,179 |
| Drilling | 1,007,821 | 189,294 | 1,197,115 |
| Geological consulting | 869,672 | 93,019 | 962,691 |
| Miscellaneous | 45,561 | 6,410 | 51,971 |
| Property maintenance | 515,459 | 382,955 | 898,414 |
| Travel | 111,950 | 16,087 | 128,037 |
| **Accumulated expenditures since inception** | **2,764,567** | **863,711** | **3,628,278** |

**Mineral properties:**

**Red Hill Project,** Eureka County, Nevada

The Red Hill Project, located in Eureka County, Nevada, encompasses 1,300 unpatented lode mining claims covering approximately 104 square km and is comprised of two separate property agreements: the Barrick Property and the Idaho Property. The Barrick Property consists of 818 unpatented lode mining claims comprising approximately 66 square km. The Idaho Resources Property consists of 482 unpatented mining claims comprising approximately 38 square km directly east and adjacent to the Barrick Property.

The Red Hill Project is located directly between Barrick Gold Corporation's ("Barrick") Cortez Hills operation and Goldrush resource to the north, and McEwen Mining Inc.'s Tonkin Springs/Gold Bar gold operations to the south. Barrick's Cortez mining operations have reported reserves in excess of 14.5 million ounces of gold, plus additional indicated and inferred resources. Additionally, Barrick's recently announced Goldrush deposit, containing 15.6 million ounces of gold in all categories, is located adjacent to NuLegacy's Barrick Property.

The Red Hill Project encompasses most of the 39 square km 'JD' carbonate window, the largest and least explored of the five major carbonate windows in the Cortez Segment of the Battle Mountain/Eureka Trend. The JD window has geology similar to that which hosts the existing three Carlin-type deposits in the Cortez Segment, which have their largest and best resources at depths between 500 and 1,200 feet. The geology of Barrick's Goldrush gold discovery represents a close analog to that found at NuLegacy's Red Hill Project.

NuLegacy's re-interpretation of both the geology of the property and previous drilling results indicates that the majority of the Red Hill Project contains geological formations that are favorable for hosting Carlin-type gold deposits. A significant number of shallow historic drill holes (less than 150 meters in depth) have attractive gold intercepts at or near their bottom. These holes were the foundation for NuLegacy's drilling that lead to the discovery the Iceberg gold deposit. There are also several surface gold anomalies that have not yet been drilled. The Iceberg gold deposit is in Devonian carbonates rocks, the same units that host the large gold deposits in the Cortez Trend, of which the Red Hill property is a part.

The terms of the Barrick and the Idaho property agreements are as follows:

<u>Barrick Property:</u>

On September 16, 2010 (further amended August 23, 2012), the Company entered into an exploration agreement with a joint venture election and option to purchase with Barrick Gold Exploration Inc. to acquire a 70% undivided interest in 818 unpatented mining claims in the Barrick Property located adjacent to the Red Hill

Property in Eureka County, Nevada, U.S.A. In order to exercise the option, the Company must incur a minimum of US$5,000,000 in exploration or development expenditures on the Barrick Property (inclusive of maintenance fees) as follows:

| Due Date | Work Expenditure | Aggregate Amount |
|---|---|---|
| December 31, 2011 | US$375,000 | US$375,000 (completed) |
| December 31, 2012 | US$875,000 | US$1,250,000 (completed) |
| December 31, 2013 | US$625,000 | US$1,875,000 (completed) |
| December 31, 2014 | US$1,125,000 | US$3,000,000 |
| December 31, 2015 | US$2,000,000 | US$5,000,000 |

If the Company completes the required US$5,000,000 in expenditures and earns a 70% undivided interest in the property, Barrick will have a one-time option, exercisable within 90 days, to back into a 70% interest in the property. To complete the back in, Barrick must expend US$15,000,000 over 5 years on the exploration and development of the property at a rate of at least US$1,500,000 per year. If completed, the Company's remaining 30% interest in the property will be free-carried by Barrick until the commencement of commercial production on the property.

Upon completion of the Company's exploration expenditures of US$5,000,000, the Company and Barrick shall form a joint venture for further exploration of the property. If Barrick does not elect to exercise its back-in right or fails to complete the expenditures, the Company will hold a 70% interest and Barrick will hold a 30% interest in the joint venture. If Barrick exercises the back-in right and completes the expenditures, the Company will hold a 30% interest and Barrick will hold a 70% interest in the joint venture.

The Company's priority is to ensure the work expenditure commitments are met in order to complete the 70% earn-in on the Barrick property.

Idaho (Wilson) Property:

On October 18, 2010 (further amended February 23, 2012 and November 7, 2012), the Company entered into a mining lease with Idaho Resources Corporation ("Idaho") for an initial 10 years, in which Idaho granted to the Company exclusive possession and control to explore, develop, mine and operate on the Idaho Property, which consists of 482 unpatented mining claims.

In order to maintain the mining lease, the Company must make annual advance royalty payments of US$25,000 and issue 100,000 common shares to Idaho in each of the first five years of the mining lease (all commitments have been made to date). Annual cash payments will then increase to US$50,000 for year six and every year thereafter. In addition, the Company is required to complete exploration commitments on the property as follows:

| Lease Year | Annual Requirement | Aggregate Amount |
|---|---|---|
| August 31, 2011 | US$250,000 | US$250,000 (completed) |
| December 31, 2012 | US$500,000 | US$750,000 (completed) |

The commitments for years 2 through 5 which totalled US$4.25 million were eliminated in the agreement amendment dated November 7, 2012. After the initial term of 10 years, the mining lease will continue in full force and effect provided that the Company continues to maintain the property in good standing and make the requisite annual cash payments to Idaho. Upon commencement of commercial production, the annual cash payments will convert to an overriding royalty of 3% of the applicable royalty based on all gold, silver and other ores/metals produced from the property.

Avocado Deep IP Anomaly of the Central Pediment:

The first reverse circulation (RC) hole of the 2013 fiscal year Red Hill Project drilling program (RHB12-004) was completed along the margin of the Avocado Deep IP Anomaly of the Central Pediment (located on the 60 sq. km Barrick Property) to a depth of 762 metres (2,500 feet) in limestone with abundant calcite veining. It is the first of several holes planned to test the Deep Induced Polarization ("IP") anomaly in the Central Pediment. The hole encountered anomalous gold and associated Carlin-style trace elements in favourable lithologies. More drilling is being considered to fully evaluate this target.

2014 Fiscal Year Exploration Program:

The 2014 fiscal year program is designed to (i) follow-up on significant drill results at the Iceberg gold deposit ; (ii) follow-up on the indications of gold mineralization in the VIO and Jasperoid Basin anomalies; and (iii) further explore the Avocado deep IP anomaly.

In May 2013**,** the Company commenced a five hole reverse circulation drilling program designed to expand the company's Iceberg gold deposit. The drilling was intended to provide a preliminary assessment of how far north and south the Iceberg gold deposit extends, as well as testing a possible parallel system to the east. Field work continued to develop additional drill targets in the adjacent Jasperoid Basin (1,800 meters (5,906 feet) northeast of Iceberg) and at the western end of the project in the VIO zone (4,000 meters (13,123 feet) west of Iceberg) where rock chip sampling and mapping has defined another area of intensely altered carbonates that contain anomalous gold.

In June 2013, the Company reported the results of the five-hole reverse circulation drilling program. "We are very pleased with these drill results', stated Dr. Steininger, NuLegacy's COO, "as we continue to intersect good grades of oxide gold in near surface Devonian carbonates, which is the material that hosts so much of the gold in the large Carlin-type gold deposits of the Cortez Trend. We have discovered a new Northern zone of at least 350 meters (1,148 feet) of strike length with higher grade oxide gold mineralization (6.1 meters (20 feet) of 5.62 grams of gold), and extended the Central zone of the Iceberg deposit to 750 meters (2,461 feet) (from 400 meters (1,312 feet)) of strike length".

These carbonate zones lie beneath a thin veneer of gold-bearing volcanics that was the focus of much of the historical drilling on the Red Hill project. The zone of carbonates that host gold mineralization stretches for four kilometers and includes the two zones of the Iceberg gold deposit. The two zones are at least 200 to 250 meters (656 to 820 feet) wide, 25 to 70 meters (82 to 230 feet) thick with gold grades of 0.5 g/T to greater than 5.0 g/T. They have a combined overall strike length in excess of 1,100 meters (3,609 feet), separated by an as-yet untested intervening gap of approximately 900 meters (2,953 feet) where no historical holes were drilled deep enough to penetrate to the carbonates.

Four of the five holes drilled in the spring of 2013 were targeted to extend the strike length of the Iceberg deposit. As summarized in the table below three of those four holes returned favourable gold grades and intervals. The fifth hole, RHB-15, which was drilled 800 meters (2,625 feet) to the east of the Central zone to test for a possible parallel system had no significant gold values.

The best result came from Hole RBH-17 with a significant near-surface intercept of 41.2 meters (135 feet) of 1.02 g/T. It included 6.1 meters (20 feet) of 5.62 g/T of gold indicating that the system is capable of generating very favourable oxide gold grades.

| Hole Number | From | To | Length | From | To | Length | Grade |
|---|---|---|---|---|---|---|---|
| | (ft) | (ft) | (ft) | (m) | (m) | (m) | g/T Au |
| RHB-17 | 235 | 370 | 135 | 71.6 | 112.8 | 44.2 | 1.02 |
| including | 300 | 320 | 20 | 91.4 | 97.5 | 6.1 | 5.62 |
| RHB-14 | 345 | 400 | 55 | 105.2 | 121.9 | 16.7 | 0.51 |
| including | 375 | 390 | 15 | 114.3 | 118.9 | 4.6 | 1.12 |
| RHB-13 | 355 | 430 | 75 | 108.2 | 131.1 | 22.9 | 0.71 |
| including | 365 | 395 | 30 | 111.3 | 120.4 | 9.1 | 1.13 |
| These intercepts are not necessarily a true width as there is insufficient data at this time with respect to the shape of mineralization to calculate its true orientation. | | | | | | | |

The geometry of the new Northern zone (350 meter length) is supported by several historical holes that were drilled deep enough to intercept the underlying Devonian carbonates, particularly hole RH92-2 with 24.4 meters (80 feet) of 3.4 g/T Au. Hole RBH-16, drilled to test for a possible westerly extension of the gold mineralization in the Northern zone, contained several intervals of anomalous gold.

Holes RHB-13 with 22.9 meters (75 feet) of 0.71 g/T Au and RBH-14 with 16.7 meters (55 feet) of 0.51 g/T Au (together with several deeper historical holes that they validated) have extended the strike length of the Central zone of the Iceberg to 750 meters (2,461 feet).

These results have established the Iceberg as a significant near-surface oxide gold deposit in the Devonian carbonate horizon that hosts so much of the gold in the large Carlin-type gold deposits of the Cortez Trend and elsewhere in Nevada, one of the worlds' most prolific gold producing regions.

<u>2015 Fiscal Year Exploration Program:</u>

For the 2015 fiscal year program, the Company is planning a 45-50 holes (18,000 meters) 2014-15 exploration and delineation drilling program with the objectives of:

i. Completing the earn-in to 70% of the Barrick property;

ii. Expanding the size of the potential exploration target identified in the Iceberg gold deposit to date and delineating within it a "threshold" resource of NI 43-101 qualified oxide ounces sufficient to induce Barrick Gold to earn-back to 70% (30-35 holes); and

iii. Identifying the higher grade oxide and/or sulphide cores usually associated with these Carlin-type oxide gold deposits and testing additional targets outside of the Iceberg gold deposit that have potential for oxidized gold mineralization and/or deeper sulfide bearing gold deposits (10-15 holes).

The plan is to drill 30-35 holes – from May to November 2014 as follows:

- An initial 8-10 reverse circulation holes commenced on May 7, 2014 which is focused on the near-surface oxide horizon to expand the Iceberg gold deposit;
- Assay these holes and use the results to refine the location of the next 8-10 holes;
- Repeat for two or three 'cycles' as needed to delineate the threshold resource for a total of 24 to 30 holes;
- Intersperse these drilling shifts with 5 to 7 deeper 'wildcat' exploration holes, including 2 or 3 core holes to improve the understanding of the stratigraphy with the intent of finding the deeper higher grade horizons; and
- Assays of each cycle will be reported as received and processed.

The Iceberg deposit is a Carlin-type gold deposit hosted in 35 million year old volcanic and sedimentary unit, and underlying Devonian carbonates. Two mineralized horizons have been identified in the 'contact zone' between the Horse Canyon Formation (HC) and the upper Wenban Limestone unit 8 (W8) at depths ranging from 75 to 150 meters (246 to 492 feet). The compilation of 149 historic and 16 NuLegacy drill holes indicates the presence of a large tonnage near-surface Carlin-type exploration target1 of 90 to 110 million tonnes grading between 0.7 g/T and 1.0 g/T Au in the 'HC-W8' contact zone. There is also evidence of gold in the lower brecciated Wenban Limestone unit 5 (W5) carbonate horizon in a few holes drilled to depth at 250 to 400 meters (820 to 1,312 feet).

In May 2014, the Company commenced drilling its Iceberg gold project. The drilling program was designed to expand the two gold-bearing horizons (older volcanics and the HC-W8 contact zone) and explore for the higher-grade oxide cores and deeper sulphide gold mineralization that contribute to making the Cortez Carlin-style deposits such prizes. The other three Carlin-type targets on the property - VIO, Avocado and the Jasperoid Basin will be explored in preparation for drilling later in 2014 and 2015.

Plan maps (including the first 15 drill holes proposed) and sections through the Iceberg gold deposits have been posted to NuLegacy's website at Iceberg Project: Presentations at http://nulegacygold.com/i/pdf/Plan-maps-and-sections-Iceberg-gold-deposit-May-2014.pdf.

In June 2014, the first 9 reverse circulation holes were drilled as substantial step-outs from the existing mineralized zones of the Iceberg gold deposit to test for the outer limits of the gold mineralization. The assays will be integrated into the Iceberg deposit's exploration model (90 to 110 million tonnes grading between 0.7 g/T and 1.0 g/T of gold) to determine where to drill the next set of holes targeted to expand the deposit.

The initial drilling to test the center of the Avocado Anomaly was planned for late summer, 2014 (view at http://nulegacygold.com/i/maps/PPT-gallery-15.jpg). The Avocado zone, a 2,000 by 1,000 meter (6,562 by 3,281 feet) IP/Resistivity anomaly has evidence of a gold bearing pyrite zone in a hole drilled on its margins. It is on trend with Barrick Gold Corporation's multi-million ounce Goldrush deposit located 4 km across a rift valley (view at http://nulegacygold.com/i/maps/PPT-gallery-6.jpg).

Drilling of the first two of four holes planned for the Jasperoid Basin is scheduled after completion of the Avocado hole or early in 2015 depending upon drill availability and permitting. The Jasperoid Basin is a large topographical depression; in part possibly a collapse breccia hosting a Carlin-type gold system located approximately 1,200 metres (4,000 feet) to the east of the North Zone of the Iceberg deposit. Within it there are several areas of alteration in association with anomalous gold values primarily in the Jasperoid rocks. The Basin is approximately 1,000 metres (3,281 feet) in length and 500 metres (1,640 feet) in width and has had minimal historical exploration.

The two assayed Iceberg holes RHB-18 and 19 are large step-outs from the south-western margin of the Central zone (which has current strike length of 750 meter (2,400 feet)) of the Iceberg deposit. RHB-18 is located 150 meters (492 feet) to the southwest and RHB-19 is 125 meters (410 feet) west of the Central zone. Both holes encountered the Iceberg deposit's gold bearing volcanic sequence and the contact zone (HC-W8) between the Horse Canyon Wenban-8 formations as well as the lower Wenban-5 formation.

| Hole | Zone | From | To | Length | From | To | Length | Grade |
|---|---|---|---|---|---|---|---|---|
| Number | | (ft) | (ft) | (ft) | (m) | (m) | (m) | g/T Au |
| RHB-18 | Central | 60 | 85 | 25 | 18.3 | 25.9 | 7.6 | 0.24 |
| | | 190 | 220 | 30 | 57.9 | 67.1 | 9.2 | 0.13 |
| | | 430 | 455 | 15 | 131.1 | 138.7 | 7.6 | 0.20 |
| RHB-19 | Central | 145 | 155 | 10 | 44.2 | 47.2 | 3.0 | 0.52 |
| | | 260 | 290 | 30 | 79.2 | 88.4 | 9.2 | 0.17 |
| | | 360 | 380 | 20 | 111.3 | 114.3 | 6.1 | 0.23 |
| | | 505 | 595 | 90 | 153.9 | 181.4 | 27.5 | 0.13 |
| These intercepts are not necessarily a true width as there is insufficient data at this time with respect to the shape of mineralization to calculate its true orientation. | | | | | | | | |

These assays on the western margin of the Iceberg have numerous near-surface intervals of anomalous gold over a wide area both in the volcanic and the contact zones with associated anomalous Carlin-type gold deposit trace elements. Importantly deeper in both holes there are additional intervals of highly anomalous trace elements within Unit-5 of the Wenban formation that provide an indication that this deeper horizon may be more favorably mineralized further to the west.

In June 2014, Iceberg hole RHB-24 was drilled as a 50 meter (165 feet) step-out along the south-western margin of the North zone of the Iceberg deposit. It returned a notable intercept of 1.85 grams of gold/ton over 15.2 meters (50 feet) (including 2.6 g/T Au over 10.7 meters (35 feet)) in the near-surface HC-W8 contact zone. As well it contained an encouraging 0.75 g/T Au over a 7.7 meters (25 feet) interval in the middle Wenban-5 formation.

In addition to expanding the North zone in excess of 400 meters (1,312 feet) these results have confirmed the presence of gold in the productive Wenban-5 formation on the south-western margin of the zone. The highlights of the assays that outline the North zone are reported in the table below.

| Highlights from the North Zone Drilling | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Hole | Zone | From | To | Length | From | To | Length | Grade |
| Number | | (ft) | (ft) | (ft) | (m) | (m) | (m) | g/T Au |
| RHB-24 | North | 190 | 240 | 50 | 57.9 | 73.2 | 15.2 | 1.85 |
| Including | | | | | | | 10.7 | 2.57 |
| and | | 500 | 525 | 25 | 152.3 | 160.0 | 7.7 | 0.75 |
| RHB-17* | North | 235 | 370 | 135 | 71.6 | 112.8 | 41.2 | 1.02 |
| RH92-2** | North | 220 | 300 | 80 | 67.1 | 91.5 | 24.4 | 3.40 |
| RH93-5** | North | 220 | 270 | 50 | 67.2 | 82.3 | 15.1 | 1.16 |
| *Previously reported, **Historical holes. NB. These intercepts are not necessarily true a widths as there is insufficient data at this time to calculate their true orientation. | | | | | | | | |

Holes RHB-23 and RHB-25 drilled on the periphery of the North zone contained long intervals of anomalous gold.

Step-out drilling of its Iceberg gold deposit in the Cortez trend of Nevada has discovered a new southern zone of gold mineralization and has confirmed a further north-west extension to the Central zone of the deposit. Hole RHB-27 was a wildcat exploration hole stepped out 970 meters/3,200 feet to the south along the strike of the Iceberg deposit's North and Central gold zones and returned two intervals of gold within the Devonian aged carbonates: 0.40 grams of gold/ton over 12.2 meters/40 feet and 1.11 grams of gold/ton over 6.1 meters/20 feet within 0.50 grams of gold/ton over 18.3 meters/60 feet (see table below).

The presence of two mineralized intervals in silicified carbonates with favorable oxide gold grades establishes the Iceberg deposit extends a full 970 meters south of the previously identified zones of gold mineralization. RHB-27 is at the southern end of a geochemical 'gold in soil' anomaly that indicates a much larger exploration target. The three gold zones (North, Central and South) of the Iceberg deposit now extend over 3 kilometers have all of the characteristics of a well-mineralized Carlin-type gold deposit. Additional drilling will be planned to establish the dimensions of this new South zone and determine its connection to the Central zone.

**Expansion of Central Zone**: Hole RHB-26, another large 200 meters/660 feet step-out to the northwest of the Central zone returned 0.18 grams of gold/ton over 47.3 meters/155 feet from 93.0 to 140.3 meters. This lengthy interval effectively extends the mineralization in the Central Zone to 950 meters of strike length, and leaves the Central zone open in all directions.

| Assay Highlights | | | | | |
|---|---|---|---|---|---|
| Hole Number | Zone | From (m) | To (m) | Length (m) | Grade grams/t gold |
| RHB-27 | South | 56.4 | 68.6 | 12.2 | 0.40 |
| and | " | 82.3 | 100.6 | 18.3 | 0.50 |
| including | " | 83.8 | 89.9 | 6.1 | 1.11 |
| RHB-26 | Central | 93.0 | 140.3 | 47.3 | 0.18 |
| NB. These intercepts are not necessarily the true width as there is insufficient data at this time to calculate their true orientation. | | | | | |

In September 2014, a reverse circulation rig was used to drill the initial hole to test the Avocado anomaly to 1,800 ft (550 meters), and a core-rig was used to drill five core holes (totalling approximately 4,500 ft) into the north, central and recently confirmed south zone of the Iceberg gold deposit. Assays will be reported on receipt and completion of QC/QA processing.

**Avocado drilling**: A re-analysis of the gravity, CSAMT and IP/Resistivity surveys completed over the Avocado anomaly led to a change in location of the first hole which required re-permitting the drill site. The Avocado Anomaly, a very large IP/Resistivity geophysical feature (6,600 ft. east-west and 3,300 ft. north-south [2,000 by 1,000 m]) is just to the north of the Iceberg gold deposit (view at nulegacygold.com/i/maps/PPT-gallery-15.jpg). There is evidence of a gold bearing pyrite zone in a historical hole drilled on its eastern margin which reported 0.95 grams/ton of gold over 9.1 meters. Additional holes are planned for the 2014 and spring 2015 program and will be sited on the results of these holes.

**Iceberg drilling**: The seven core holes being drilled into the Iceberg are spread along the 3 km strike of the deposit (view nulegacygold.com/i/maps/maps-sections-2.jpg). They are located to confirm the stratigraphy, grade distribution and attitude of the three gold bearing horizons identified to date in the Iceberg gold deposit. They are designed to assist in locating the crests of the interpreted anticlines/fault zones that are often associated with the Cortez-trends' Carlin-type gold deposits making them such coveted prizes.

A gravity survey over the entire Iceberg gold deposit was commissioned commenced in early October. It will contribute to the selection of sites for the planned 2014 fall exploration program consisting of 6 to 8 more holes.

In October 2014, the Company reported that the assay results from the first hole drilled into the Avocado IP anomaly confirmed the discovery of a second Carlin-type gold system. Core drilling on the first system, the Iceberg gold deposit, continues.

"I am very encouraged by the results from Hole AV14-01 in the Avocado anomaly, says Dr. Roger Steininger NuLegacy's COO, "We have encountered another Carlin-type gold system on the property and at a depth shallower than initially interpreted from the IP survey. Compilation and reinterpretation of all available data in the area should vector the next drilling into higher grade gold mineralization".

Hole AV14-01 was drilled by a RC (reverse circulation) rig to a depth of 1,575 feet (480 meters). The assay results returned three anomalous gold intervals of 40 feet, 65 feet and 115 feet encountered at depths of 830, 1,085 and 1,375 feet respectively, in the black carbonaceous limestone material that hosts much of the gold mineralization in the deeper parts of Nevada's Carlin-type gold deposits. An anomalous trace element suite, typical of the Cortez's Carlin-type gold systems is present, indicating that higher grade gold mineralization may occur in the vicinity.

Bedrock was encountered at 830 feet (253 meters) with limestone to the bottom of the hole. The 485 foot interval from 880 to 1,365 feet (268 to 416 meters) contained black carbonaceous, pyritic, decalcified limestone with breccia textures. In the 250 foot interval from 1,100 to 1,350 feet (335 to 416 meters), the pyrite is partially oxidized.

An interpretation of the results from AV14-01, all the available geophysical data from the area, and the historic drill holes nearby is in progress and will be used to vector toward higher grade gold mineralization in siting of the next phase of drilling the Avocado anomaly.

The Avocado anomaly, whose shape reflects its name (www.nulegacygold.com/i/maps/2014-10-27 The-Avocado-Anomaly.jpg.), is a large geophysical feature just to the north of NuLegacy's Iceberg gold deposit. It is a 2 square km (~ one square mile) 2,000 meters east-west by 1,000 meter north-south induced polarization/resistivity anomaly. It is on trend with Barrick Gold Corporation's multi-million ounce Goldrush deposit that is located just 4 km across a rift valley, which can be viewed at www.nulegacygold.com/i/maps/PPT-gallery-6.jpg.

**Quality Control and Quality Assurance**

The scientific and technical content and interpretation contained in this MD&A gave been reviewed, verified and approved by Roger Steininger, NuLegacy's COO and CPG-7417, a Qualified Person as defined by NI 43-101, *Standards of Disclosure for Mineral Projects.*

## DIVIDEND REPORT AND POLICY

The Company has not paid any dividends to date. The Company intends to retain its future earnings, if any, for use in its business and does not expect to pay dividends on its shares in the foreseeable future.

## LIQUIDITY

The Company has no known mineral resources or reserves and is not in commercial production on any of its properties and accordingly, the Company does not generate cash from operations. The Company finances its exploration activities by raising capital from equity markets from time to time.

As at September 30, 2014, the Company's liquidity and capital resources are as follows:

| | September 30, 2014 | March 31, 2014 |
|---|---|---|
| | $ | $ |
| Cash and cash equivalents | 3,206,093 | 1,026,920 |
| Receivables | 13,743 | 11,451 |
| Prepaid expenses | 190,775 | 106,326 |
| Available for sale financial assets | 1,919,655 | 2,616,293 |
| Held for trading investment | 706 | 8,280 |
| Total current assets | 5,330,972 | 3,769,270 |
| Trade and other payable | 247,513 | 86,432 |
| Working capital | 5,083,459 | 3,682,838 |

The Company's operations consist primarily of the acquisition, maintenance and exploration of exploration and evaluation assets, including actively seeking joint venture partners to assist with exploration funding. The Company's financial success will be dependent on the extent to which it can discover new mineral deposits.

In August 2014, the Company closed a non-brokered private placement of 28,250,000 common shares at $0.125 per share for net proceeds of $3,495,365, net of share issue costs of $35,885.

As at September 30, 2014, the Company had cash and cash equivalents of $3,206,093 (March 31, 2014 - $1,026,920), consisting primarily of the net proceeds from the Waterton financing. As at September 30, 2014, the Company had a working capital position of $5,083,459 (March 31, 2014 - $3,682,838).

As at September 30, 2014, the fair value of the GRIT common shares was $1,919,655 (March 31, 2014 – $2,616,293). The Company intends to liquidate the GRIT common shares and use the net proceeds from the future sale to fund further exploration delineation of its Iceberg gold deposit in Nevada, USA and for general corporate purposes.

The Company's continuation as a going concern is dependent upon successful results from its exploration and evaluation activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management believes that the Company's current working capital surplus combined with the additional financing completed subsequent to period end will be sufficient to maintain current operations as budgeted for the next 12 months. See "Risks and Uncertainties".

## USE OF PROCEEDS FROM THE FISCAL 2015 FINANCING

During the 2015 fiscal year, the Company completed a financing, totalling 28,250,000 shares at a price of $0.125 per share for net proceeds of $3,495,365, net of share issuance costs of $35,885. The budgeted use of proceeds from the fiscal 2015 financing is as follows:

| | $ |
|---|---|
| Gross proceeds from Fiscal 2015 Financing | 3,531,250 |
| Less: share issuance costs | (35,885) |
| Net cash proceeds | 3,495,365 |

| **Allocation:** | **Budget $** | **Actual $** | **Variances $** |
|---|---|---|---|
| Red Hill properties | 2,600,000 | 358,667 | 2,241,333 |
| General corporate purposes | 895,365 | 212,311 | 683,054 |
| | 3,495,365 | 570,978 | 2,924,387 |

As at September 30, 2014, the Company had incurred approximately $358,667 and $212,311 from the net proceeds of the fiscal 2015 financing to fund the Red Hill properties and for general corporate purposes, respectively. As the fiscal 2015 exploration program is not complete, it is too early to analyze any variances in the budgeted use of the net cash proceeds.

## COMMITMENTS

The following commitments are pursuant to the Barrick and Wilson Properties:

Barrick property:

| Expenditure deadline | Expenditure commitment (US$) | Total cumulative expenditure (US$) |
|---|---|---|
| December 31, 2011 | 375,000 (spent) | 375,000 |
| December 31, 2012 | 875,000 (spent) | 1,250,000 |
| December 31, 2013 | 625,000 (spent) | 1,875,000 |
| December 31, 2014 | 1,125,000 | 3,000,000 |
| December 31, 2015 | 2,000,000 | 5,000,000 |

Wilson property:

The Company must make annual advance royalty payments of US$25,000 and issue 100,000 common shares to Idaho in each of the first five years of the Lease. Annual cash payments will then increase to US$50,000 for year six and every year thereafter.

Refer to the Summary of Exploration Activities for further details on the Company's commitments.

The Company is also required to pay the annual United States Bureau of Land Management assessment fees, state and county filing and recording expenses, property taxes, advance minimum royalty and underlying lease payments, as applicable, associated with the Red Hill properties in order to maintain the Barrick and Wilson properties in good standing. Such costs will form part of the Company's exploration expenditures.

Notwithstanding the foregoing, if, at any time, the Company's board of directors deems continued use of exploration expenditures on the Red Hill properties to be unwarranted based on the results of exploration up to that time, the Company may suspend or discontinue exploration on such property and apply any remaining funds towards the exploration of one of the Company's other properties, to the acquisition and exploration of new properties or, if required, the general working capital of the Company.

Except as aforesaid, the Company does not have any material commitments for capital expenditures, there are no known trends or expected fluctuations in the Company's capital resources and the Company has no sources of financing that have been arranged but not yet used.

Contractual Obligations:

Other than the Barrick and Wilson Properties, and miscellaneous stock option and consulting agreements, the Company does not presently have any other material contractual obligations.

As at September 30, 2014, 2014 the Company had no long term debt and no agreements with respect to borrowings entered into by the Company.

## OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

## RELATED PARTY TRANSACTIONS

During the six months ended September 30, 2014, the Company entered into the following transactions with related parties:

a. Incurred consulting fees of $41,328 (September 30, 2013 - $35,250), investor relation fees of $39,750 (September 30, 2013 - $33,000) and office costs of $6,525 (September 30, 2013 - $nil) to a company controlled by Albert Matter, the Chairman and director of the Company. As at September 30, 2014, an advance of $13,475 (March 31, 2014 - $11,000), on account of future expenses was included in prepaid expenses.

b. Incurred consulting fees of $39,750 (September 30, 2013 - $33,000), investor relation fees of $43,400 (September 30, 2013 - $33,000) and office costs of $4,500 (September 30, 2013 - $nil) to a company controlled by James Anderson, CEO and director of the Company. As at September 30, 2014, an advance of $12,500 (March 31, 2014 - $11,000), on account of future expenses was included in prepaid expenses.

c. Incurred consulting fees of $1,423 (September 30, 2013 - $nil), investor relation fees of $1,212 (September 30, 2013 - $nil), other consulting fees capitalized to exploration and evaluation assets of $69,309 (September 30, 2013 - $58,994) and office costs of $4,887 (September 30, 2013 - $nil) to Roger Steininger, COO and director of the Company. As at September 30, 2014, an advance of $12,166 (March 31, 2014 - $12,814), on account of future expenses was included in prepaid expenses.

d. Incurred professional fees of $21,750 (September 30, 2013 - $18,700) to a company controlled by Michael Waldkirch, CFO of the Company. As at September 30, 2014, an advance of $nil (March 31, 2014 - $2,500) on account of future expenses was included in prepaid expenses.

e. Incurred professional fees of $22,131 (September 30, 2013 - $18,858) and share issuance costs of $18,228 (September 30, 2013 - $16,182) to a company controlled by Gregory Chu, Corporate Secretary of the Company. As at September 30, 2014, $9,213 (March 31, 2014 - $21,723) was included in trade and other payables.

f. Incurred consulting fees of $625 (September 30, 2013 - $nil) to Petra Decher, an independent director of the Company. As at September 30, 2014, $625 (March 31, 2014 - $nil) was included in trade and other payables.

g. Incurred consulting fees of $625 (September 30, 2013 - $nil) to Alex Davidson, an independent director of the Company. As at September 30, 2014, $625 (March 31, 2014 - $nil) was included in trade and other payables.

h. Incurred consulting fees of $625 (September 30, 2013 - $nil) to Richard Wells, an independent director of the Company. As at September 30, 2014, $625 (March 31, 2014 - $nil) was included in trade and other payables.

Summary of key management personnel compensation:

| | **Six months ended September 30,** | |
|---|---|---|
| | **2014** | 2013 |
| | **$** | $ |
| Consulting | **84,376** | 68,250 |
| Exploration and evaluation assets | **69,309** | 58,994 |
| Investor relations | **84,362** | 66,000 |
| Office | **15,912** | - |
| Professional fees | **21,750** | 18,700 |
| Share based payments | **138,560** | 104,955 |

**ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUES**

There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Company. See "Risks and Uncertainties" below.

**RISKS AND UNCERTAINTIES**

The Company is in the mineral exploration and development business and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. Some of the possible risks include the following:

a) The industry is capital intensive and subject to fluctuations in metal prices, market sentiment, foreign exchange and interest rates.

b) The only source of future funds for further exploration programs, or if such exploration programs are successful for the development of economic ore bodies and commencement of commercial production thereon, which are presently available to the Company are the sale of equity capital or the offering by the Company of an interest in its properties to be earned by another party carrying out further exploration or development. Management was successful in accessing the equity markets during the year, but there is no assurance that such sources will be available on acceptable terms in the future.

c) Any future equity financings by the Company for the purpose of raising additional capital may result in substantial dilution to the holdings of existing shareholders.

d) The Company must comply with environmental regulations governing air and water quality and land disturbance and provide for mine reclamation and closure costs.

e) The continued operations of the Company require various licenses and permits from various governmental authorities. There is no assurance that the Company will be successful in obtaining the necessary licenses and permits to continue its exploration and development activities in the future or, if granted, that the licenses and permits will remain in force as granted.

f) There is no certainty that the properties which the Company has deferred as assets on its balance sheet will be realized at the amounts recorded. These amounts should not be taken to reflect realizable value.

g) While management believes that control over bank accounts and Company assets is adequate, it is also aware that internal control weaknesses were identified in respect of a lack of segregation of duties, and a high risk of management override of controls and procedures. It is management's opinion that these weaknesses in internal controls over financial reporting are inherently related to the small size of the issuer.

h) There is no certainty that the Company's financial assets (which include the GDX options and GRIT common shares) will be realized at the amounts recorded. These amounts should not be taken to reflect realizable value as at the date of this report.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on any forward-looking statements. The Company has not completed a feasibility study on any of its deposits to determine if it hosts a mineral resource that can be economically developed and profitably mined.

## CRITICAL ACCOUNTING ESTIMATES

The preparation of the Interim Financial Statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities, income and expenses. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Critical judgments exercised in applying accounting policies that have the most significant effects on the amounts recognized in the Interim Financial Statements are as follows:

(a) Economic recoverability and probability of future economic benefits of exploration and evaluation assets:

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of a resource is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in profit or loss in the period when the new information becomes available.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

(a) Valuation of share based payments and warrants:

The Company uses the Black-Scholes Option Pricing Model for valuation of share based compensation and for the valuation of warrants. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and share option reserves.

(b) Recovery of deferred tax assets:

Judgment is required in determining whether deferred tax assets are recognised on the statement of financial position. Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

## CHANGES IN ACCOUNTING POLICIES AFTER INITIAL ADOPTION

There were no changes to the Company's accounting policies during the six months ended September 30, 2014.

Standards issued but not yet effective up to the date of issuance of the Company's Financial Statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. The Company does not expect the impact of such changes on the financial statements to be material.

***IFRS 9 Financial Instruments***

Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is tentatively effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company does not expect any effect on the Company's consolidated financial statements.

## FINANCIAL AND OTHER INSTRUMENTS

The Company has classified its financial instruments as follows:

| | |
|---|---|
| Cash and cash equivalents | Fair-value through profit or loss |
| Available for sale financial assets | Available for sale |
| Held for trading investment | Fair-value through profit or loss |
| Trade and other payables | Other financial liabilities |

For some of the Company's financial assets and liabilities, including cash and cash equivalents, trade and other payables, the carrying amounts approximate their fair values due to the relatively short periods to maturity of the instruments.

The classification and fair values of the Company's financial instruments at September 30, 2014 and March 31, 2014 are summarized in Note 11 of the Interim Financial Statements.

### Foreign Currency Risk

Foreign currency risk is the risk that the future cash flows or fair value of the Company's financial instruments that are denominated in a currency that is not the Company's functional currency will fluctuate due to the change in foreign exchange rate.

The functional currency of the Company and its wholly owned subsidiary is the Canadian dollar. While the Company's parent is Canadian and its capital is raised in Canadian dollars, the Company is conducting business activities in the United States. As such, it is subject to risk due to fluctuations in the exchange rates for the Canadian and United States dollar. All of the Company's operations in the United States have been in US$.

As at September 30, 2014, the Company has cash denominated in US dollars of $2,133,869 (March 31, 2014 – $821,447), held for trading investment in US dollars of $630 (March 31, 2014 – $7,490) and trade and other payables in US dollars of $148,129 (March 31, 2014 – $4,151). Each 1% change in the Canadian dollar versus the US dollar will result in a gain/loss of approximately USD $19,864 (March 31, 2014 – USD $8,248).

In addition, the Company holds an investment that is denominated in British Pounds (£). As such, it is subject to fluctuations in the exchange rates for the Canadian dollar and British Pounds. As at September 30, 2014, the Company has an available for sale investment denominated in British Pounds of £1,056,032 (March 31, 2014 - £1,419,584). Each 1% change in the Canadian dollar versus the British Pound will result in a gain/loss of approximately £10,560 (March 31, 2014 - £14,196).

### Interest Rate Risk

The Company is not exposed to interest rate risk on its receivables since they are not interest bearing.

**Credit Risk**

Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents and receivables. The cash and cash equivalents consist mainly of short-term money market deposits. The Company has deposited the cash equivalents with reputable financial institutions, from which management believes the risk of loss to be remote. The Company has no trade receivables and balances relate to recoveries of consumption taxes paid by the Company. As with any tax receivable, collection is subject to changes in tax law, tax audit and changes in applicable tax rates. The Company mitigates this risk by recording only those amounts that management considers to be reasonably certain of collection.

**Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to liquidity risk is to ensure that it always has sufficient cash and credit facilities to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the Company's reputation. Management typically forecasts cash flows for a period of six to twelve months to identify financing requirements. These requirements are then addressed primarily through access to capital markets. All of the Company's financial liabilities mature within one year.

**Other Price Risk**

Other price risk is the risk that changes in market prices including commodity or equity prices will have an effect on future cash flows associated with financial instruments.

The equity price risk associated with the Company's current available for sale investment primarily relates to the change in the market prices of the investments in the portfolio. As at September 30, 2014 and March 31, 2014, the Company owned 1,731,200 GRIT common shares with each common share valued at £0.61 or $1.11 (March 31, 2014 - £0.82 or $1.51). Each £0.01 change in the value per common share will result in a gain/loss of approximately £17,312 or $31,470 (March 31, 2014 - £17,312 or $31,906).

The equity price risk associated with the Company's held for trading investment primarily relates to changes to the market price of gold with all gains and losses being recognized through the statement of profit or loss. Management believes the price risk related to this investment is not significant.

**CAPITAL MANAGEMENT DISCLOSURES**

The Company's objectives when managing capital are to:

(a) Provide an adequate return to shareholders;
(b) Provide adequate and efficient funding for operations;
(c) Continue the development and exploration of its mineral properties;
(d) Support any expansion plans;
(e) Allow flexibility to investment in other mineral revenues; and
(f) Maintain a capital structure which optimizes the cost of capital at acceptable risk.

In the management of capital, the Company includes all accounts included in shareholders' equity. As at September 30, 2014, the Company had no bank indebtedness.

The Company is not subject to any externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the fiscal period.

## OUTSTANDING SHARE DATA

a) Authorized share capital: unlimited common shares without par value
b) Number of common shares issued at the date of this MD&A: 141,353,879.

## OPTIONS

A summary of stock options outstanding at the date of this MD&A:

| Expiry date | Options outstanding | Options exercisable | Exercise price ($) | Remaining contractual life (years) |
|---|---|---|---|---|
| December 1, 2014 | 150,000 | 150,000 | 0.20 | 0.03 |
| December 9, 2015 | 4,200,000 | 4,200,000 | 0.25 | 1.05 |
| January 6, 2016 | 250,000 | 250,000 | 0.32 | 1.13 |
| March 1, 2016 | 50,000 | 50,000 | 0.30 | 1.28 |
| June 23, 2016 | 500,000 | 500,000 | 0.25 | 1.59 |
| September 1, 2016 | 75,000 | 75,000 | 0.16 | 1.78 |
| October 1, 2016 | 250,000 | 250,000 | 0.20 | 1.87 |
| November 14, 2016 | 25,000 | 25,000 | 0.20 | 1.99 |
| December 9, 2016 | 300,000 | 300,000 | 0.20 | 2.05 |
| January 1, 2017 | 100,000 | 100,000 | 0.20 | 2.12 |
| February 6, 2017 | 150,000 | 150,000 | 0.25 | 2.22 |
| July 18, 2017 | 300,000 | 300,000 | 0.15 | 2.66 |
| October 15, 2017 | 250,000 | 250,000 | 0.15 | 2.90 |
| November 5, 2017 | 75,000 | 60,000 | 0.15 | 2.96 |
| March 5, 2018 | 2,350,000 | 2,350,000 | 0.20 | 3.29 |
| July 3, 2018 | 500,000 | 375,000 | 0.15 | 3.62 |
| September 15, 2018 | 600,000 | 360,000 | 0.15 | 3.82 |
| February 3, 2019 | 2,700,000 | 1,350,000 | 0.15 | 4.21 |
| March 24, 2019 | 900,000 | 360,000 | 0.15 | 4.34 |
| September 15, 2019 | 1,200,000 | 300,000 | 0.15 | 4.82 |
| September 29, 2019 | 250,000 | - | 0.15 | 4.86 |
| October 3, 2019 | 250,000 | 31,250 | 0.15 | 4.87 |
| October 14, 2019 | 50,000 | 6,250 | 0.15 | 4.90 |
| | **15,475,000** | **11,792,500** | | |

## WARRANTS

A summary of warrants outstanding at the date of this MD&A:

| Expiry date | Number of warrants | Exercise price ($) | Remaining contractual life (years) |
|---|---|---|---|
| December 5, 2014 | 21,000 | 0.25 | 0.04 |
| December 5, 2014 | 473,333 | 0.35 | 0.04 |
| December 20, 2014 | 7,000 | 0.25 | 0.08 |
| December 20, 2014 | 183,333 | 0.35 | 0.08 |
| April 11, 2015 | 8,112,500 | 0.20 | 0.39 |
| April 22, 2015 | 1,250,000 | 0.20 | 0.42 |
| May 9, 2015 | 939,250 | 0.20 | 0.47 |
| May 12, 2015 | 8,000 | 0.10 | 0.47 |
| May 25, 2015 | 60,000 | 0.10 | 0.51 |
| June 10, 2015 | 48,000 | 0.10 | 0.55 |
| December 9, 2015 | 250,000 | 0.25 | 1.05 |
| November 12, 2016 | 7,234,380 | 0.15 | 1.98 |
| November 25, 2016 | 3,675,000 | 0.15 | 2.02 |
| December 10, 2016 | 2,450,000 | 0.15 | 2.06 |
| | **24,711,796** | | |

## INTERNAL CONTROLS OVER FINANCIAL REPORTING PROCEDURES

The management of the Company is responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, reliable and timely. Management is also responsible for establishing adequate internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A and the Company's condensed interim consolidated financial statements for the six months ended September 30, 2014.

Management of the Company has filed the Venture Issuer Basic Certificate with the Interim Filings on SEDAR at www.sedar.com.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the venture issuer basic certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

## MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The information provided in this report, including the Financial Statements, is the responsibility of management. In the preparation of these Financial Statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying Financial Statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

## OTHER MD&A REQUIRMENTS

Additional information relating to the Company may be found on or in:

- Company's website at www.nulegacygold.com
- SEDAR at www.sedar.com
- The Company's condensed interim consolidated financial statements for the three and six months ended September 30, 2014
- The Company's audited consolidated financial statements for the year ended March 31, 2014.

This MD&A has been approved by the Board effective November 20, 2014.