



**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JULY 31, 2015**

**TSXV: TEN**

---

**TABLE OF CONTENTS**

Description of Business.....	2
Highlights for the Year Ended July 31, 2015 .....	2
Overall Performance .....	2
Royalty Acquisition.....	2
Royalty Options.....	3
Other Assets .....	4
Portfolio of Mineral Properties .....	4
Almaden (Nutmeg Mountain) Property .....	4
Moonlight Property .....	5
Bonanza Property.....	6
Middlegate Property .....	6
Results of Operations for the Year Ended July 31, 2015 .....	7
Liquidity, Cash Flows and Capital Resources .....	7
Annual Financial Information.....	8
Quarterly Financial Information .....	8
Off-Balance Sheet Arrangements .....	9
Commitments .....	9
Conflicts of Interest .....	9
Outstanding Share Data.....	9
Critical Accounting Estimates.....	10
Corporate Governance.....	12
Cautionary Statement .....	13
Other Information .....	13

## **Background**

Terraco Gold Corp. (the “Company” or “Terraco”) provides this Management Discussion and Analysis (“MD&A”) of financial position and results of operations as of November 27, 2015. This MD&A should be read in conjunction with the audited annual consolidated financial statements as at July 31, 2015 and 2014, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in Canadian dollars. The Company has prepared this MD&A following the requirements of National Instrument 51-102, Continuous Disclosure Obligations.

## **Description of Business**

Terraco is a precious metals exploration and royalty company engaged in the acquisition and exploration of mineral properties and the acquisition of royalty assets. The Company currently has exploration properties and royalty assets in the United States of America. The Company is a reporting issuer in Alberta and British Columbia and trades on the TSX Venture Exchange (“TSX.V”) under the symbol ‘TEN’. The core management and technical team are proven professionals, with extensive international experience in all aspects of mineral exploration, operations and venture capital markets.

## **Highlights for the Year Ended July 31, 2015**

On July 31, 2015, the Company closed a non-brokered private placement by issuing 8,841,397 units at a price of \$0.075 per unit for gross proceeds of approximately \$663,105. The proceeds are an oversubscription of \$63,105 or 10.52% from the July 17, 2015 announcement.

On August 12, 2014, Midway Gold Corp. (“Midway”) announced an independent mineral resource estimate update on the Spring Valley Project (see definition below) to which Terraco has gold royalty ownership.

Midway has reported an increase in the measured and indicated mineral resource category and an increase in gold grade from the 2011 to the 2014 resource estimate. A total of 672 drill holes are included in the 2014 resource estimate and include data from an additional 153 holes drilled since the 2011 resource estimate. In addition, Midway has reported that Barrick Gold Corp. (“Barrick”) has increased the 2014 project budget to \$17.4 million which includes \$9 million for continued in-fill drilling and \$8.4 million for preparation of an internal pre-feasibility study and other related project development expenditures required for mine planning (refer to Midway press release dated August 12, 2014). Midway also announced its decision to become a 25% joint venture partner, to be carried to production by Barrick free of any additional payments or capital outlays.

## **Overall Performance**

During the year ended July 31, 2015, the Company maintained its priority on the Almaden (Nutmeg Mountain) Property, the Moonlight Property and its royalty and royalty options on the Spring Valley Project.

The exploration programs and technical disclosure for the Company are designed by Charles Sulfrian, C.P.G., Vice President, Exploration for Terraco who is a ‘qualified person’, as defined by National Instrument 43-101, Standards of Disclosure for Mineral Projects.

During the year ended July 31, 2015, the Company continued to maintain its mineral claims that show exploration potential and are expected to create shareholder value. As well, the continued exploration success in the vicinity of the Company’s projects is being continually monitored.

## **Royalty Acquisition**

On March 8, 2012, the Company entered into a Royalty Assignment, Purchase and Option Agreement (“Royalty Assignment, Purchase and Option Agreement”) pursuant to which the Company acquired a 0.5% NSR royalty from a strategic partner on a portion of the Spring Valley Gold Project (“Spring Valley Project”) located in Pershing County, Nevada, in exchange for 2,500,000 common shares with an estimated fair value of \$587,500. The Spring Valley Project is a joint venture between Barrick and Midway, where Barrick has the right to earn a 75% interest in the Spring Valley Project by completing work expenditures totaling US\$38,000,000 before December 31, 2014 (completed). The Company issued 2,500,000 common shares as consideration for the full purchase price.

As at July 31, 2015, the Company has capitalized acquisition costs of \$605,853 under royalty acquisition.

## Royalty Options

### Spring Valley Royalty Option #1

On December 21, 2011, the Company entered into an Assignment and Option Agreement (“Assignment and Option Agreement”) pursuant to which a wholly-owned subsidiary, TGC Holdings Ltd. (“TGC”), acquired an option to purchase a 2.5% NSR sliding scale royalty on a portion of the Spring Valley Project located in Pershing County, Nevada and received in cash US\$5,000,000. The terms of the option provide the Company with the ability to purchase a 2.5% NSR sliding scale royalty on a portion of the Spring Valley Project for US\$12,500,000 for a period of 5 years from the closing of the transaction or within 1 year of a change of control of the Company.

In exchange for the Option, the Company issued a 1% NSR royalty on its Moonlight Property; a 0.5% NSR royalty (and up to a 1.0% NSR royalty in certain circumstances) on its Almaden (Nutmeg Mountain) Property; an off-take for 30% of the minerals produced from the Almaden (Nutmeg Mountain) Property during the life of the mine; and 1,000,000 share purchase warrants with an exercise price of \$0.35 per share for a period of 5 years, subject to early expiry at the discretion of the Company if the Company shares trade at \$0.70 or higher for 20 consecutive trading days. The fair value attributed to the share purchase warrants was estimated to be \$228,399 using the Black-Scholes option-pricing model with the following assumptions: expected warrant life of 5 years, risk-free interest rate of 1.15%, dividend yield of 0% and expected volatility of 151%. The Company incurred a success fee of \$300,000 (paid) in conjunction with this transaction.

### Spring Valley Royalty Option #2

On March 8, 2012, the Company entered into a Royalty Assignment, Purchase and Option Agreement pursuant to which a wholly-owned subsidiary, TGC, acquired an option to acquire a 0.5% NSR royalty on a separate portion of the Spring Valley Gold Project located in Pershing County, Nevada. The terms of the option provide the Company with the ability to purchase a 0.5% NSR royalty on a portion of the Spring Valley Project for US\$983,211 for a period of 5 years from the closing of the transaction or within 1 year of a change of control of the Company.

### Spring Valley Royalty Option #3

On April 21, 2013, the Company entered into a Royalty Purchase Agreement (“RPA”) and a Royalty Purchase and Option Agreement (“RPOA”) pursuant to which a wholly-owned subsidiary, TGC, acquired for US\$4,200,000 and sold for US\$5,200,000 a 1.0% NSR sliding scale royalty on a portion of the Spring Valley Project while retaining an option to acquire a NSR sliding scale royalty on a portion of the Spring Valley Project. The terms of the option provide the Company with the ability to purchase a 0.5% NSR sliding scale royalty on a portion of the Spring Valley Project for US\$2,600,000 for a period of 3.7 years from the closing of the transaction or within 1 year of a change of control of the Company. Pursuant to the RPA and RPOA, the Company issued 800,000 common shares as consideration with an estimated fair value of \$88,000 and received a net cash infusion of US\$1,000,000.

NSR sliding scale royalty:

Gold Price (US\$ per oz)	Terraco Royalty Option
<\$300	0.71%
\$300-\$399	1.07%
\$400-\$499	1.43%
\$500-\$599	1.79%
\$600-\$699	2.14%
\$700+	2.50%

\*NSR sliding scale royalty table pertains to royalty options #1 and #3

As at July 31, 2015, the Company has capitalized acquisition costs of \$464,549 under royalty options.

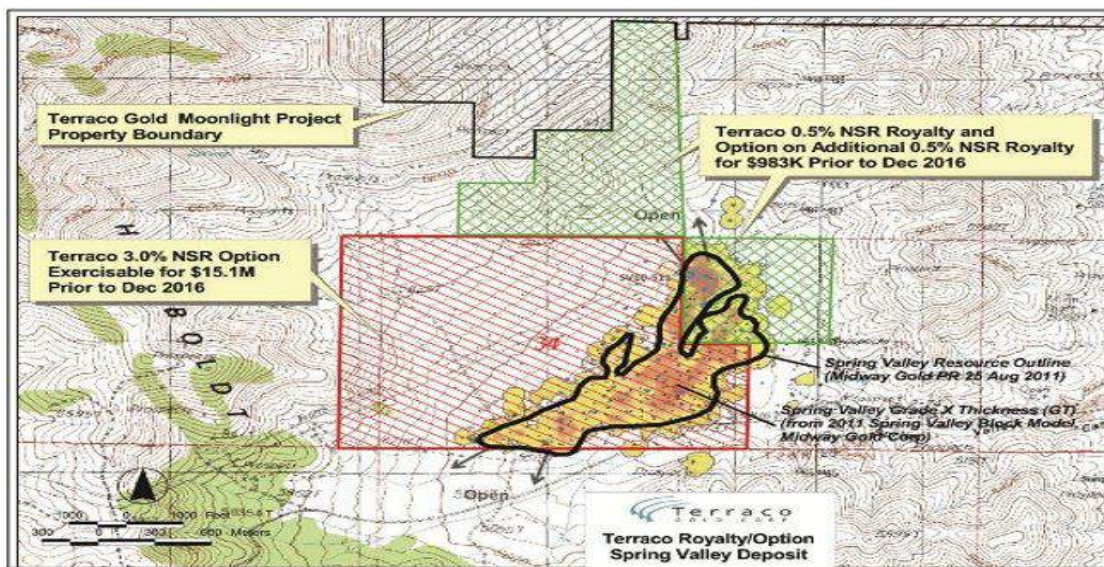


Figure 1: Map of royalty and royalty options claim coverage (approximate) on the Spring Valley Project

## Other Assets

### Right-of-First-Refusal – Spring Valley Project

On December 21, 2011, the Company issued 4,000,000 common shares at a fair value of \$1,020,000 to acquire a right of first refusal on a separate 1% area of interest royalty (within 0.8 kilometres (0.5 miles)) surrounding the Spring Valley Project claims covered under royalty option #1 and #3, located in the Spring Valley Project.

As at July 31, 2015, the Company has capitalized acquisition costs of \$1,030,441 under other assets.

## Portfolio of Mineral Properties

### **Almaden (Nutmeg Mountain) Property**

On January 25, 2011, the Company acquired all of the outstanding securities of Western Standard Metals Ltd. (“Western”) in an all-share transaction by way of a plan of arrangement. Accordingly, the Company acquired a 100% interest in the Almaden (Nutmeg Mountain) Property comprising 12 leased patented lode mining claims (approximately 248 acres), 210 unpatented lode mining claims (approximately 4,150 acres) and approximately 280 acres of private fee ground located in Washington County, Idaho.

The Almaden (Nutmeg Mountain) Property currently hosts a National Instrument 43-101 compliant measured resource of 239,000 ounces of gold (9,807,000 tonnes grading 0.758 grams per tonne (“gpt”)), an indicated resource of 625,000 ounces of gold (29,248,000 tonnes grading 0.665 gpt) and an inferred resource of 84,000 ounces of gold (4,781,000 tonnes grading 0.546 gpt), at the cut-off grades of 0.274 gpt, 0.411 gpt, and 0.790 gpt for the oxide, mixed and sulfide mineralization, respectively. Please see the 43-101 report filed on [www.sedar.com](http://www.sedar.com) for further information.



Figure 2: Picture of Almaden (Nutmeg Mountain) Property

For the year ended July 31, 2015, the Company expended \$164,457 at the Almaden (Nutmeg Mountain) Property, which increased the exploration and evaluation assets associated to the advancement of the Almaden (Nutmeg Mountain) Property to \$19,191,755.

The Almaden (Nutmeg Mountain) Property is subject to a 4% net proceeds royalty interest payable to underlying property owners, a 1% NSR royalty (for gold prices equal to or less than US\$425/oz.) or 2% (for gold prices greater than US\$425/oz.) payable to Royal Gold Inc. and a 0.5% NSR royalty payable to a strategic partner.



## Moonlight Property

The Moonlight Property is located 34 kilometres (21 miles) northeast of the town of Lovelock, Nevada, in the Humboldt Range, 8 kilometres (5 miles) north of Coeur d'Alene Mining Company's Rochester Mine, and adjoins the Barrick/Midway Spring Valley joint venture to the south.

During the year ended July 31, 2007, the Company entered into a purchase agreement for a 100% interest in 64 unpatented mining claims comprising approximately 1,380 acres with an option to joint venture on the Moonlight Property located in Pershing County, Nevada, for the consideration of US\$1,000,000 (paid); the Company staked 164 unpatented mining claims in the surrounding area; and the Company entered into four additional mining leases and option to purchase agreements covering a total of 24 claims and approximately 615 acres on private land in the vicinity of the Moonlight Property, US\$11,750 was paid upon execution of the various agreements.

During the year ended July 31, 2008, the Company entered into one additional mining lease and option to purchase agreement and one corrective deed sale covering approximately 60 acres on private land in the vicinity of the Moonlight Property, US\$10,500 was paid upon execution of the various agreements.

The minimum future payments required to maintain the mining lease and option to purchase agreements over 28 years are as follows:

- US\$45,000 cash before fiscal year ended July 31, 2014 (paid);
- US\$45,000 cash before fiscal year ended July 31, 2015 (paid);
- US\$45,000 cash before fiscal year ended July 31, 2016; and
- US\$300,000 cash thereafter.

Work commitments covering 15 of the claims are as follows:

- US\$135,000 expenditures to incur before fiscal year ended July 31, 2015 and each year thereafter up to and including the twentieth anniversary (December 6, 2026) of the agreement date. During the year ended July 31, 2015, the landowner waived the 2015 expenditure commitment in exchange for a cash payment of US\$5,000 (paid).

Purchase option payments to acquire 100% of the properties under the agreements total US\$1,500,000. Certain land parcels within the Moonlight Property area are subject to a NSR royalty of up to 3%.

During the year ended July 31, 2012, the Company entered into a purchase agreement for a 100% interest in 88 land parcels comprising 1,040 acres of net surface rights and 2,860 acres of net mineral rights in Pershing County, Nevada, for consideration of US\$1,169,929 (paid) and the issuance of 773,000 (issued) common shares. The Company also staked an additional 2 unpatented mining claims in the surrounding area during the year.

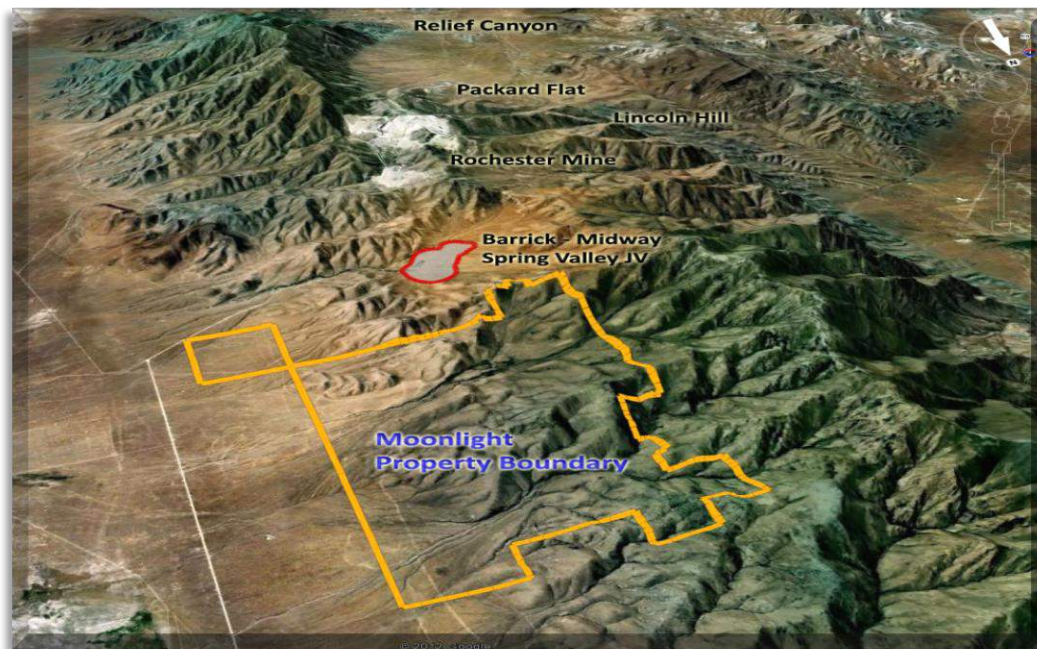


Figure 3: Map of the Moonlight Property boundary

For the year ended July 31, 2015, the Company expended \$176,470 at the Moonlight Property, which increased total deferred exploration costs associated to the advancement of the Moonlight Property to \$6,974,796.

### **Bonanza Property**

Pursuant to an assignment agreement effective January 27, 2005, the Company acquired rights and obligations under an option to lease agreement relating to the Bonanza Property consisting of 9 patented and 14 unpatented mining claims comprising approximately 450 acres located in La Paz County, Arizona. The Company paid US\$9,000 and issued 200,000 common shares as consideration for this agreement.

The Company exercised the option and entered into a mining and lease agreement on September 20, 2005.

In accordance with this agreement, the following advance royalty payments are required (credited against the 2% production royalty):

- US\$10,000 cash before fiscal year ended July 31, 2011 (paid);
- US\$20,000 cash before fiscal year ended July 31, 2012 (paid);
- US\$20,000 cash before fiscal year ended July 31, 2013 (paid); and
- US\$5,000 cash before fiscal year ended July 31, 2014 (paid) and annually thereafter for the duration of the agreement.

The original 9 remaining acquired claims are subject to a 1% NSR royalty agreement. Also, under this agreement, the Company would be required to pay a production royalty of 2% upon commencement of commercial production. Prior to paying the production royalty, the original claims are subject to a 5% NSR royalty payable to a maximum of US\$200,000. The Company has the option of pre-paying the US\$200,000 up front or a 5% NSR royalty to a maximum of US\$200,000.

During the year ended July 31, 2015, management centralized its efforts and focus on its core royalty and exploration and evaluation assets; as a result, the Company recorded an impairment charge of \$210,743 against the carrying value of the Bonanza Property.

### **Middlegate Property**

On November 30, 2007, the Company entered into an Exploration and Option Purchase Agreement (“EA”) for the Middlegate Property consisting of the Thunder and Lightning unpatented mining claims comprising approximately 40 acres in Churchill County, Nevada (the “Middlegate Claims”). The Company, through its wholly-owned Nevada subsidiary, staked an additional 43 unpatented mining claims comprising approximately 1,940 acres (the “TGC Claims” and collectively with the Middlegate Claims, the “Middlegate Property”), which total approximately 3 square miles.

Pursuant to the terms of the EA, the Company has an option to earn an undivided 100% interest in the Middlegate Claims by incurring a minimum of US\$480,000 in exploration expenditures on the Middlegate Property within a four-year period.

On February 24, 2012, the Company entered into a Restatement and Termination of Exploration and Option to Purchase Agreement (“RTEOPA”) for the Middlegate Claims whereby the Company made a final payment of US\$7,438 to earn an undivided 100% interest in the Middlegate Claims.

The RTEOPA allows for a 5% NSR royalty on the Middlegate Claims which, on or before November 27, 2015 at the Company’s option, can be reduced to 2% by buying down the NSR royalty for a total of US\$135,000, structured as follows: purchase first 1% by paying US\$35,000; second 1% by paying US\$50,000; and third 1% by paying US\$50,000. The additional TGC Claims hold to the seller’s benefit a 3% NSR royalty, which the Company may buy down to 2% by paying a one-time fee of US\$75,000 on or before November 27, 2015.

During the year ended July 31, 2015, management centralized its efforts and focus on its core royalty and exploration and evaluation assets; as a result, the Company recorded an impairment charge of \$549,668 against the carrying value of the Middlegate Property.

## Results of Operations for the Year Ended July 31, 2015

For the year ended July 31, 2015, the Company recorded a net loss of \$1,668,621 versus a net loss of \$900,746 incurred during the year ended July 31, 2014. The increase in net loss during the current year ended is due primarily to an impairment charge (\$760,411) related to the Middlegate and Bonanza properties, as well as a decrease in the deferred income tax recovery (\$135,662) recognized in the current year. These increases in net loss were partially offset by an increase in the gain on sale of investments (\$85,755) due to the sale of 225,000 Sama Resources Inc. shares in the current year, as well as a decrease in investor relations expense (\$43,044) which is due to increased efforts to reduce overall expenditures, resulting in the cessation of certain monthly investor relations fees.

## Liquidity, Cash Flows and Capital Resources

	Year Ended July 31,	Year Ended July 31,
	2015	2014
<b>Sources and Uses of Cash</b>		
Cash used in operations prior to changes in working capital	\$ (522,277)	\$ (541,890)
Changes in non-cash working capital	83,654	(44,859)
Cash used in operating activities	(438,623)	(586,749)
Cash used in investing activities	(333,907)	(369,413)
Cash provided by financing activities	649,892	24,500
Change in cash and cash equivalents	\$ (122,638)	\$ (931,662)

### Operating Activities

For the year ended July 31, 2015, cash used in operating activities, prior to changes in non-cash working capital, was \$522,277 compared to \$541,890 used during the year ended July 31, 2014. The decrease in cash used is due primarily to the variances as outlined under the "Results of Operations" section. For the year ended July 31, 2015, non-cash working capital decreased by \$83,654, as compared to an increase of \$44,859 for the year ended July 31, 2014. The decrease in non-cash working capital is primarily the result of an increase in accounts payable of \$126,740, partially offset by an increase in subscriptions receivable of \$50,444. For the year ended July 31, 2015 cash used in operating activities was \$438,623, compared to \$586,749 for the year ended July 31, 2014.

### Investing Activities

For the year ended July 31, 2015, cash used in investing activities was \$333,907, which primarily reflects expenditures on mineral property interests (\$387,789). These expenditures were partially offset by funds received from the sale of 225,000 shares of Sama Resources Inc. (\$45,195), as well as a recovery of legal expenditures pertaining to the Royalty Options (\$20,140). For the year ended July 31, 2014, the total cash used for investing activities was \$369,413 which also primarily reflects expenditures on mineral property interests (\$387,726).

### Financing Activities

For the year ended July 31, 2015, cash provided by financing activities was \$649,892, which is due to the net proceeds received from the completion of a non-brokered private placement of 8,841,397 units at a price of \$0.075 per unit. \$13,213 in share issuance costs were incurred in connection with this private placement. During the year ended July 31, 2014, proceeds of \$24,500 were received related to the exercise of 175,000 share purchase options.

The Company's principal source of liquidity is cash which is raised by way of the sale of common shares from treasury.

At July 31, 2015, the Company had working capital of \$480,365 (July 31, 2014 - \$766,234 which consisted of current assets of cash totaling \$534,670 (July 31, 2014 - \$657,308); \$25,299 (July 31, 2014 - \$26,387) in receivables; \$50,444 (July 31, 2014 - \$Nil) in subscriptions receivable; \$29,960 (July 31, 2014 - \$136,920) in available-for-sale securities; and \$28,491 (July 31, 2014 - \$34,761) in prepaid expenses and deposits. Current liabilities include accounts payable and accrued liabilities of \$188,499 (July 31, 2014 - \$89,142).

The Company's access to additional capital may not be available on terms acceptable or at all. As the Company relies on equity financings to continue into the future, current market conditions could make it difficult or impossible for the Company to raise necessary funds to meet its longer term capital requirements. If the Company is unable to obtain financing, it could seek multiple solutions including, but not limited to, credit facilities, asset sales or debenture issuances.

The Company's principal source of liquidity is cash which is raised by way of the sale of common shares from treasury.

### Annual Financial Information

The financial statements have been prepared in accordance with IFRS for fiscal years 2015, 2014 and 2013, and are expressed in Canadian dollars.

	Year Ended July 31, 2015	Year Ended July 31, 2014	Year Ended July 31, 2013
	\$	\$	\$
<b>Operations:</b>			
Revenues	-	-	-
Net income (loss)	(1,668,621)	(900,746)	(5,565,366)
Net income (loss) per share – Basic	(0.01)	(0.01)	(0.04)
Net income (loss) per share – Diluted	(0.01)	(0.01)	(0.04)
<b>Balance Sheet:</b>			
Working capital	480,365	766,234	1,741,076
Total current assets	668,864	855,376	1,895,660
Total liabilities	317,600	195,847	376,486

### Quarterly Financial Information

The following selected financial information is derived from the condensed interim consolidated financial statements of the Company prepared in accordance with IFRS.

Quarter ended	July 31, 2015	April 30, 2015	January 31, 2015	October 31, 2014	July 31, 2014	April 30, 2014	January 31, 2014	October 31, 2013
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	-	-	-	-	-	-	-	-
Net income (loss)	(931,414)	(204,624)	(207,871)	(324,712)	(365,352)	(222,924)	(148,375)	(164,095)
Basic Earnings per share (loss)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Diluted Earnings per share (loss)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

### Related Party Disclosures

#### (a) Transactions with key management personnel

During the year ended July 31, 2015, the Company paid consulting fees of \$222,000 (July 31, 2014 – \$222,000) and salaries, wages, office and sundry fees of \$30,000 (July 31, 2014 – \$30,150) to companies controlled by officers and/or directors of the Company.

As at July 31, 2015, \$140,621 (July 31, 2014 – \$17,457) is payable to companies controlled by officers and/or directors of the Company, which is included in accounts payable and accrued liabilities.

During the year ended July 31, 2015, the Company paid engineering and consulting fees of US\$63,285 (July 31, 2014 - US\$149,053) to companies controlled by an officer or director of the Company. Of these fees, US\$62,749 (July 31, 2014 - US\$149,053) has been capitalized under exploration and evaluation assets as the fees were incurred directly for exploration and evaluation projects and US\$536 (July 31, 2014 – US\$Nil) has been expensed as property investigation costs as the fees incurred do not directly relate to exploration and evaluation projects.

During the year ended July 31, 2015, the Company incurred share-based payments of \$334,544 (July 31, 2014 – \$338,781) to officers and directors of the Company.



(b) Transactions with other related parties

As at July 31, 2015, \$5,755 (July 31, 2014 – \$4,578) is due from a director of the Company and a company with a director and officers in common. This amount is included in receivables.

Included in available-for-sale securities as at July 31, 2015 is 214,000 common shares with a market value of \$29,960 (July 31, 2014 - \$136,920) received from a company with a director and officers in common.

In addition to the above:

On December 30, 2011, the Company entered into management services agreements with the following:

- Rock Management Consulting Ltd. for the services of Mr. Todd Hilditch to act as Terraco's President and Chief Executive Officer;
- ZyMin Corporation for the services of Mr. Charles Sulfrian, C.P.G., to act as Terraco's Vice President, Exploration; and
- Sandstone Consulting Ltd. for the services of Mr. Bryan McKenzie, CPA, CA, to act as Terraco's Chief Financial Officer.

The terms of the management services agreements are indefinite, but the engagement of the management consultant and the agreements may be terminated by either party.

**Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

**Commitments**

The Company has an operating lease commitment for office premises in Vancouver, British Columbia, requiring basic annual rent payments of \$32,346 to December 31, 2015, and for office premises in Weiser, Idaho, requiring basic annual rent payments of US\$43,200 to March 31, 2016.

Minimum payments relating to the above commitments in each of the next three fiscal years are as follows:

2016	\$	51,868
2017	\$	Nil
2018	\$	Nil

**Conflicts of Interest**

The Company's directors and officers may serve as directors and/or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act (British Columbia) ("Corporations Act") dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company.

**Outstanding Share Data**

	Number of Shares Outstanding (Diluted)
Outstanding as at November 27, 2015	143,638,548
Shares reserved for issuance pursuant to share purchase options outstanding	14,301,000
Shares reserved for issuance pursuant to share purchase warrants outstanding	5,420,698
Shares outstanding - fully diluted	163,310,246

As at the date of this MD&A, the Company had outstanding stock options enabling holders to acquire common shares of the Company as follows:

Number	Vested	Price per share	Expiry date
300,000	300,000	\$0.34	April 17, 2016
1,975,000	1,975,000	\$0.26	October 18, 2016
2,925,000	2,925,000	\$0.11	October 29, 2018
5,051,000	3,788,250	\$0.16	June 9, 2019
4,050,000	1,012,500	\$0.12	November 26, 2020
<b>14,301,000</b>	<b>10,000,750</b>		

As at the date of this MD&A, the Company had outstanding share purchase warrants enabling holders to acquire common shares of the Company as follows:

Expiry date	Exercise price per share	Number
December 22, 2016	\$0.35	1,000,000
July 31, 2017	\$0.10	4,420,698
		<b>5,420,698</b>

### Critical Accounting Estimates

The preparation of financial statements in conformity IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues (if applicable) and expenditures during the reporting period. Examples of significant estimates made by management include the determination of recoverability of amounts capitalized to exploration and evaluation assets, estimating the fair values of financial instruments, impairment of long-lived assets, reclamation and rehabilitation provisions, valuation allowances for deferred income tax assets and assumptions used for share-based compensation. Actual results may differ from those estimates.

### Future Accounting Policy Changes Issued but not yet in Effect

- (i) *IFRS 9 Financial Instruments*. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortized cost and fair value. IFRS 9 prohibits reclassifications except in rare circumstances when the entity's business model changes. The new standard removes the requirement to separate embedded derivatives from financial asset hosts. It requires a hybrid contract to be classified in its entirety at either amortized cost or fair value.
- (ii) *IFRS 15 Revenue from contracts with customers*. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. The new standard will apply to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts.

### Risks and Uncertainties

The Company is in the business of acquiring and exploring mineral properties. It is exposed to a number of risks and uncertainties that are common to other mineral exploration companies in the same business. The industry is capital intensive at all stages and is subject to variations in commodity prices, market sentiment, exchange rates for currency, inflation and other risks. The Company currently has no source of revenue other than interest on cash balances. The Company relies mainly on equity financing to fund exploration activities on its mineral properties.

The risks and uncertainties described in this section are not inclusive of all the risks and uncertainties to which the Company may be subject.

### Early Stage – Need for Additional Funds

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many risks common to other companies in the same business, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources, and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

### Exploration and Development

Mineral exploration and 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 that, though present, are of insufficient size and/or grade to return a profit from production.

All of the mineral claims in which the Company has a right to acquire an interest are in the exploration stages only and are without a known body of commercial ore. Upon discovery of a mineralized occurrence, several stages of exploration and assessment are required before its economic viability can be determined. Development of the subject mineral properties would follow only if favourable results are determined at each stage of assessment. Few precious and base metal deposits are ultimately developed into producing mines.

### Operating Hazards and Risks

Mining operations involve many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. In the course of exploration, development and production of mineral properties, certain risks, and in particular unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes, may occur. Operations in which the Company has a direct or indirect interest are subject to all the hazards and risks normally incidental to exploration, development and production of mineral deposits, any of which could result in damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage.

Although the Company maintains liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which event the Company could incur significant costs that could have a materially adverse effect upon its financial conditions.

### Foreign Currency Exchange

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is considered to be in the exploration stage and has not yet developed commercial mineral interests, the underlying market prices in Canada for minerals are impacted by changes in the exchange rate between Canadian and United States Dollars. The Company has not entered into any arrangements to hedge its currency risk but does maintain cash balances within each currency.

### Supplies and Infrastructure

The Company's property interests are often located in remote, undeveloped areas and the availability of infrastructures such as surface access, skilled labour, fuel and power at an economic cost cannot be assured. These are integral requirements for exploration, production and development facilities on mineral properties. Power may need to be generated onsite.

### Metal Prices

The mining industry, in general, is intensely competitive and there is no assurance that a profitable market will exist for the sale of metals produced, even if commercial quantities of precious and/or base metals are discovered. Factors beyond the control of the Company may affect the marketability of metals discovered. Pricing is affected by numerous factors beyond the Company's control, such as international economic and political trends, global or regional consumption and demand patterns, increased production and smelter availability. There is no assurance that the price of metals recovered from any mineral deposit will be such that it can be mined at a profit.

## Title Risks

Although the Company has exercised the usual due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements, transfers or native claims, and title may be affected by undetected defects.

## Environmental Regulations, Permits and Licenses

The Company's operations are subject to various laws and regulations governing the protection of the environment, exploration, development, production, taxes, labour standards, occupational health, waste disposal, safety and other matters. Environmental legislation in Nevada, Idaho and Arizona provide restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact statements. Environmental legislation is evolving in a direction of stricter standards and enforcement, and higher fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

The current operations of the Company require permits from various U.S. authorities and such operations are governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental, mine safety and other matters.

The Company believes that it is in compliance with all material laws and regulations which currently apply to its activities. However, there can be no assurance that all permits which the Company may require for its operations and exploration activities will be obtainable on reasonable terms, a timely basis or that such laws and regulations would not have an adverse affect on any mining project which the Company might undertake.

## Competition and Agreements with Other Parties

The mining industry is intensely competitive in all its phases and the Company competes with other companies that have greater financial resources and technical capacity. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future.

The Company may, in the future, be unable to meet its share of costs incurred under such agreements to which it is a party and it may have its interest in the properties subject to such agreements reduced as a result. Also, if other parties to such agreements do not meet their share of such costs, the Company may not be able to finance the expenditures required to complete recommended programs.

## Economic Conditions

Unfavourable economic conditions may negatively impact the Company's financial viability. Unfavourable economic conditions could also increase the Company's financing costs, decrease net income or increase net loss, limit access to capital markets and negatively impact the availability of credit facilities to the Company.

## Dependence on Management

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result and other persons would be required to manage and operate the Company.

## **Corporate Governance**

Management of the Company is responsible for the preparation and presentation of the condensed interim and annual consolidated financial statements and notes thereto, MD&A and other information contained in this MD&A. Additionally, it is management's responsibility to ensure the Company complies with the laws and regulations applicable to its activities.

The Company's management is held accountable to the board of directors ("Directors"), each member of which is elected annually by the shareholders of the Company. The Directors are responsible for reviewing and approving the audited consolidated annual financial statements and MD&A. Responsibility for the review and approval of the

Company's annual consolidated financial statements and MD&A is delegated by the Directors to the Audit Committee, which is comprised of 3 directors, 2 of whom are independent of management. Additionally, the Audit Committee pre-approves audit and non-audit services provided by the Company's auditors.

The external auditors are appointed annually by the shareholders to conduct an annual audit of the financial statements in accordance with IFRS. The external auditors have complete access to the Audit Committee to discuss the audit, financial reporting and related matters resulting from the annual audit, as well as assist the members of the Audit Committee in discharging its corporate governance responsibilities.

### **Cautionary Statement**

The Company's annual consolidated financial statements for the year ended July 31, 2015, and this accompanying MD&A contain statements that constitute "forward-looking statements" within the meaning of National Instrument 51-102, *Continuous Disclosure Obligations* of the Canadian Securities Administrators. Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions. Forward-looking statements in this MD&A include statements regarding the Company's future exploration plans and expenditures, the satisfaction of rights and performance of obligations under agreements to which the Company is a part, the ability of the Company to hire and retain employees and consultants and estimated administrative assessment and other expenses. The forward-looking statements that are contained in this MD&A involve a number of risks and uncertainties. As a consequence, actual results might differ materially from results forecast or suggested in these forward-looking statements. Some of these risks and uncertainties are identified under the heading "RISKS AND UNCERTAINTIES" in this MD&A. Additional information regarding these factors and other important factors that could cause results to differ materially may be referred to as part of particular forward-looking statements. The forward-looking statements are qualified in their entirety by reference to the important factors discussed under the heading "RISKS AND UNCERTAINTIES" and to those that may be discussed as part of particular forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause the actual results to differ include market prices, exploration success, continued availability of capital and financing, inability to obtain required regulatory approvals and general market conditions. These statements are based on a number of assumptions, including assumptions regarding general market conditions, the timing and receipt of regulatory approvals, the ability of the Company and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. 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. Accordingly, readers should not place undue reliance on forward-looking statements.

### **Other Information**

Additional information relating to the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com) and at the Company's web site [www.terracogold.com](http://www.terracogold.com).

**Approved by the Audit Committee**

**November 26, 2015**