

# ALQ GOLD

C O R P O R A T I O N

**Management's Discussion and Analysis  
For the Three Months Ended May 31, 2014  
(Formerly Alpha Gold Corp.)  
Dated: July 29, 2014**

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**ALQ GOLD CORP.**  
**(An Exploration Company)**  
**Three Months Ended May 31, 2014**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**Dated July 29, 2014**

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**A. Introduction**

The following Management's Discussion and Analysis (MD&A) of the operating results and financial condition of ALQ Gold Corp. ("ALQ" or the "Company") is for the three months ended May 31, 2014 and is dated July 29, 2014. This MD&A was prepared to conform to National Instrument 52-102F1 and was approved by the Board of Directors prior to its release. This analysis should be read in conjunction with the Company's audited financial statements for the year ended February 28, 2014, condensed interim financial statements for the three months ended May 31, 2014 and the accompanying notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Company's shares trade on the TSX Venture Exchange under the trading symbol "**ALQ**".

The Company's functional and reporting currency is the Canadian dollar and all dollar amounts are in Canadian dollars, unless otherwise indicated.

Additional information relating to the Company, including detailed assay results previously disclosed in news releases is available on the Company's website [www.alqgold.com](http://www.alqgold.com) and on SEDAR [www.sedar.com](http://www.sedar.com).

**B. Summary of Mineral Exploration**

ALQ Gold Corp. is a mineral exploration company focused on the Lustdust Property located in the Omineca Mining Division of British Columbia.

On July 15, 1989, the Company acquired a 100% interest in certain mineral claims located in the Omineca Mining Division, British Columbia for cash of \$170,000. The vendor retains a royalty of 3% of net smelter returns.

On February 21, 1992, the Company acquired a 100% interest in certain mineral claims located in the Omineca Mining Division, British Columbia for \$100,000 cash and 200,000 shares of the company at a fair value of \$0.60 each (previously subject to a 5% net profits interest to a maximum of \$100,000 and a royalty of 2% of net smelter returns). In July 2003, the company acquired the 5% net profits interest and the 2% of net smelter return royalties for \$150,000 cash.

The Company's Lustdust Property is currently comprised of 20 "cell" claims, 100% owned by Alpha Gold Corp. Ownership is currently secured through 2021 and/or 2022. There is no requirement for net smelter return or royalties on any of these claims. "Cell" Claims are geographic blocks with boundaries defined by a computer mapping system.

The Company is in the exploration stage. The Company does not have any producing mineral properties at this time and is without a known body of commercial ore. Exploration is focused on the Lustdust property located in the Omineca Mining Division 200 km west of Ft. St. James, B.C. Assay results indicate anomalous base and precious metals in field and drill core samples. A definitive geological model interpreting the anomalous results has not yet been determined. The investment and expenditure on mineral properties comprise substantially all of the Company's assets. Realization of the Company's investment in those assets is dependent upon obtaining the necessary financing to continue exploration and development of the properties, the attainment of successful production from the properties or from the proceeds of their disposal.

Aurora Geosciences Ltd. prepared a deposit potential and data evaluation report for the Lustdust property. The report indicates more widespread mineral potential and additional exploration targets related to both known mineralization and mineral potential not previously recognized on the property.

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The report and the Company's News Releases, issued October 24<sup>th</sup> and November 13<sup>th</sup>, 2012, are available on the Company's website [www.alqgold.com](http://www.alqgold.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

Currently under consideration is the possibility of acquiring additional mineral claims. It is expected that the Company will have to obtain additional funding. It is of note that current economic conditions have proven a significant challenge to many companies in terms of raising funds. ALQ Gold Corp. will comment on recommendations, currently under consideration by the Board, by way of news releases in the future.

### **Mineral Property Expenditures**

The Company's accounting policy related to expenditures incurred for the acquisition and exploration of mineral properties is to capitalize on a property-by-property basis, net of recoveries. During the Three months ended May 31, 2014, the Company incurred acquisition and exploration costs on its mineral property as follows:

	<b>Balance</b>	<b>Additions</b>	<b>Balance</b>
<b>Lustdust property</b>	<b>February 28, 2014</b>	<b>Q1</b>	<b>May 31, 2014</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Acquisition costs	513,682	-	513,682
Exploration costs	11,174,459	1,050	11,175,509
<b>Total</b>	<b>11,688,141</b>	<b>1,050</b>	<b>11,689,191</b>

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**C. Results of Operations**

	Period ended		Variance	
	May 31, 2014	May 31, 2013	Increase/(Decrease) \$	%
<b>Operating Expenses</b>				
Consulting and management fees	12,501	15,001	(2,500)	(17)
Office, printing and miscellaneous	9,206	11,060	(1,854)	(17)
Shareholder relations	-	7,357	(7,357)	(100)
Professional fees	5,440	6,375	(935)	(15)
Insurance	1,562	-	1,562	N/A
Regulatory fees and transfer fees	3,758	5,011	(1,253)	(25)
Rent	1,500	1,500	-	-
Travel and promotion	-	193	(193)	(100)
Communications	91	185	(94)	(51)
Depreciation	1,744	1,744	-	-
Share-based payments	8,256	-	8,256	N/A
<b>Other Items</b>				
Interest expenses, bank charges and foreign exchange	69	79	(10)	(13)

Net loss and the comprehensive loss of the Company for the three months ended May 31, 2014 (“2014”) were \$44,127 compared to \$48,505 for the comparative period (“2013”). Share-based payments and depreciation are non-cash items. Excluding the non cash items the operating cost for 2014 is \$34,127 compared to \$46,761 in year 2013.

In 2014 Company experienced a reduction in operating cost by \$12,634 primarily due to the following:

- Investor relations reduced due to a previous change of the service provider
- Consulting and management fees reduced since no directors fees were provided for
- Office, printing and miscellaneous fees reduced since compensation for services offered was no longer required to a previously retired officer

As per the Company’s mandate to acquire, explore, and develop mineral resource properties, the Company has invested in its current property based on financial resources that have been available. Cost controls and reduction in activity levels resulted in favorable variance in many operating and general expenses.

**D. Summary of Quarterly Results**

The Company earned no revenue during the periods presented other than the sundry income in the second quarter as described in section C above and minimal interest income.

The Company’s operating costs have been relatively constant and quarterly fluctuations mainly relate to share-based payments which vary as stock options are granted, equipment is disposed of and credits applied for and the deferred income tax adjustments.

The following unaudited financial data was derived from the Company’s financial statements for the last eight quarters prepared in accordance with IFRS:

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	May 31 2014 \$	Feb 28 2014 \$	Nov 30 2013 \$	Aug 31 2013 \$	May 31 2013 \$	Feb 28 2013 \$	Nov 30 2012 \$	Aug 31 2012 \$
Net and comprehensive loss/(gain)	44,127	(18,635)	56,150	5,672	48,505	54,419	10,446	79,929
Basic and diluted loss per share	\$0.008	(\$0.004)	\$0.001	\$0.000	\$0.001	\$0.001	\$0.001	\$0.002

### E. Financial Condition, Liquidity and Capital Resources

Historically the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements to sophisticated investors and institutions. The Company's access to exploration financing when the financing is not transaction specific is always uncertain. There can be no assurance of continued access to significant equity funding.

As at May 31, 2014 the Company had working capital of \$136,759 compared to \$171,936 at February 28, 2014. As the Company chooses to proceed on additional exploration and development programs at the Lustdust property, it will need to raise additional funds for those expenditures.

#### *Commitments*

The Company has no long term debt, capital lease obligations, operating leases or any other long term obligations. The Company has no "Purchase Obligations" defined as any agreement to purchase goods or services that is enforceable and legally binding on the Company that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

The Company had no commitments for material expenditures as of May 31, 2014.

### F. Outstanding Equity and Convertible Securities

#### i) Issued and outstanding

On August 19, 2013, the Company completed a consolidation of its outstanding share capital on a basis of one post-consolidation share for every ten pre-consolidation shares. All comparative figures have been adjusted retrospectively.

On January 13, 2014, the Company announced the completion of the flow-through private placement of 795,000 flow-through units at \$0.06 per unit for gross proceeds of \$47,700. Each flow-through unit consists of one flow-through common share and one share purchase warrant. Each warrant will entitle the holder to purchase one additional non-flow-through common share at a price of \$0.06 per share for a period of 24 months.

As at May 31, 2014 and the date of this MD&A the Company had 5,518,670 common shares issued and outstanding respectively.

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**ii) Stock Options**

As at May 31, 2014 and of the date of this MD&A the Company had stock options outstanding as follows:

Exercise Price	Expiry Date	Balance May 31, 2014	Expired	Balance July 29, 2014
\$2.00	July 20, 2014	90,000	90,000	-
\$1.00	July 23, 2015	75,000	-	75,000
\$0.06	February 24, 2019	625,000		625,000
		<b>790,000</b>	<b>90,000</b>	<b>700,000</b>
Weighted average exercise price		\$0.37	\$2.00	\$0.11
Weighted average contractual life remaining in years		3.87		4.19

**iii) Share Purchase Warrants**

As of May 31, 2014 and the date of this MD&A there were 795,000 share purchase warrants outstanding with an exercise price of \$0.06 expiring on January 13, 2016.

**G. Related Party Information**

During the three months ended May 31, 2014, the Company paid \$1,500 (May 31, 2013 - \$Nil) for office rental to an officer and director of the Company. During the three months ended May 31, 2014, the Company paid \$Nil (May 31, 2013 - \$1,500) for office rental to an officer (retired in June 2013) of the Company.

The key management personnel of the Company are the directors and officers of the Company. The Company has no long-term employee benefits or post-employment benefits and compensation awarded to key management during the three months ended May 31, 2014 and 2013 are as follows:

	May 31,	
	2014	2013
Short-term employee benefits	\$ 21,501	\$ 25,501
Share-based payments	8,256	-
Total	\$ 29,757	\$ 25,501

As of May 31, 2014, accounts payable included \$5,000 (May 31, 2013 - \$Nil) payable to directors for director's fees and \$12,501 (May 31, 2013 - \$Nil) to a director and an officer of the Company for management and administration services.

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## **H. Financial Instruments**

The Company classifies its financial assets in the following categories: at fair value through profit or loss (“FVTPL”), available-for-sale (“AFS”) or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

### *Fair value through profit or loss*

FVTPL financial assets are initially recognized at fair value with changes in fair value recorded through profit or loss.

### *Available-for-sale*

AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories and are recognized at fair value and subsequently carried at fair value. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive loss and classified as a component of equity.

### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

### *Impairment of financial assets*

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

### *Financial liabilities*

The Company classifies its financial liabilities in the following categories: other financial liabilities and derivative financial liabilities.

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method. Other financial liabilities are classified as current or non-current based on their maturity date.

The Company has no derivative financial liabilities.

## **I. Event After the Reporting Period and Outlook**

No material transactions after the reporting period.

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**J. Off-balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements and does not contemplate having them in the foreseeable future.

**K. Disclosure Controls and Procedures**

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control.

There have been no significant changes to the Company's internal control over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

The Board of Directors has established procedures for complaints received regarding accounting, internal controls or auditing matters, and for a confidential, anonymous submission procedure for concerns regarding questionable accounting or auditing matters.

Being a venture issuer, the Company is exempt from certification on Disclosure Controls and Procedures and Internal Control Over Financial Reporting. The Company is required to file Form 52-109FV1 for annual reporting and Form 52-109FV2 for interim reporting.

**L. Risks and Uncertainties**

The principal business of the Company is the acquisition, exploration and development of mineral properties. Given the nature of the mining business, the limited extent of the Company's assets and the present stage of development, the following risk factors, among others, should be considered.

***Exploration Stage Company***

The Company does not hold a known body of commercial ore and does not generate any revenues from production. The Company's success will depend largely upon its ability to locate commercially productive mineral reserves. Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that exploration efforts will be successful. Success in establishing reserves is a result of a number of factors, including the quality of management, the level of geological and technical expertise, and the quality of property available for exploration.

Once mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling and bulk sampling, to determine the optimal metallurgical process to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities. Because of these uncertainties, no assurance can be given that the Company's exploration programs will result in the establishment or expansion of resources or reserves.

***Operating History and Availability of Financial Resources***

The Company has no operating revenues and is unlikely to generate any significant amount in the foreseeable future. Hence, it may not have sufficient financial resources to undertake any future mineral claim acquisition and exploration activities. Operations will continue to be financed primarily through the issuance of securities.

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The Company will need to continue its reliance on the issuance of such securities for future financing, which may result in dilution to existing shareholders. Furthermore, the amount of additional funds required may not be available under favorable terms, if at all. Failure to obtain additional funding on a timely basis could result in delay or indefinite postponement of further exploration and development.

***Price Volatility and Lack of Active Market***

In recent months, the securities markets in Canada and elsewhere have experienced a high level of price and volume volatility, and the market prices of securities of many public companies have experienced significant fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any quoted market for the Company's securities will be subject to such market trends and that the value of such securities may be affected accordingly. If an active market does not develop, the liquidity of the investment may be limited and the market price of such securities may decline below the subscription price.

The resource industry is intensively competitive in all of its phases, and the Company competes with many other companies possessing much greater financial and technical resources.

Competition is particularly intense with respect to the acquisition of desirable undeveloped properties. The principal competitive factors in the acquisition of prospective properties include the staff and data necessary to identify and investigate such properties, and the financial resources necessary to acquire and develop the projects. Competition could adversely affect the Company's ability to acquire additional suitable prospects suitable for exploration.

***Title to Property***

Although the Company has exercised the usual due diligence with respect to title of its properties, there is no guarantee that title to the properties will not be challenged or impugned as a result of prior unregistered agreements or transfers, aboriginal land claims, government expropriation and undetected defects.

***Government Regulations and Environmental Risks and Hazards***

The Company's conduct is subject to various federal, provincial, state laws, rules and regulations, including environmental legislation.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the resource property interests, the potential for production on the property may be diminished or negated. The Company has adopted environmental practices designed to ensure that it continues to comply with environmental regulations currently applicable to it. All of the Company's activities are in compliance in all material respects with applicable environmental legislation.

Environmental hazards may exist on the Company's properties, which may have been caused by previous or existing owners or operators of the properties.

***Dependence on Key Personnel***

The Company is dependent on a relatively small number of key directors, officers and senior personnel. Loss of any one of those persons could have an adverse affect on the Company. The Company does not currently maintain "key-man" insurance in respect of any of its management.

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***Licenses and Permits***

The operations of the Company require licenses and permits from various government authorities. The Company believes that it holds all necessary licenses and permits under applicable laws and regulations for work in progress and believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in various circumstances. There can be no guarantee that the Company will be able to obtain or maintain all necessary licenses and permits that may be required to explore and develop its properties, commence construction or operation of mining facilities or to maintain continued operations that economically justify the cost.

**M. Proposed Transactions**

No proposed transactions as of the date of this MD&A.

**N. Significant Accounting Estimates**

Impairment of long-lived assets

The carrying value of mineral property acquisition costs is reviewed each reporting period to determine whether there is any indication of impairment. The estimation of the impairment involves the application of a number of significant judgments and estimates to certain variables including metal price trends, plans for properties and the results of exploration and evaluation to date.

The determination of, and provision for, reclamation and remediation obligations

The Company assesses its provision for asset retirement obligations at each reporting date or when new material information becomes available. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation.

Deferred taxes

The Company recognizes a deferred tax asset to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. In addition, changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

Share-based payments

Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and are expensed to profit or loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

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**O. Changes in Accounting Policies Including Initial Adoption**

**(a) Accounting standards issued and effective for the current fiscal year**

The following standards were adopted effective March 1, 2014. None of the following standards had any effect on the Company's consolidated financial statements.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)
- Annual Improvements 2010-2012 Cycle

Made amendments to the following standards:

- IFRS 2 — Amends the definitions of “vesting condition” and “market condition” and adds definitions for “performance condition” and “service condition”
- IFRS 3 — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date
- IFRS 8 — Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly
- IFRS 13 — Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only)
- IAS 16 and IAS 38 — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount
- IAS 24 — Clarify how payments to entities providing management services are to be disclosed

**(b) Accounting standards issued but not yet effective**

The following is a summary of accounting standards that are issued but not yet effective. The Company has not early-adopted these revised standards and expects that there will be no significant effect on the Company's consolidated financial statements when they are adopted.

**IFRS 9 Financial Instruments (2009)**

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

- Debt instruments meeting both a “business model” test and a “cash flow characteristics” test are measured at amortized cost (the use of fair value is optional in some limited circumstances)
- Investments in equity instruments can be designated as “fair value through other comprehensive income” with only dividends being recognized in profit or loss
- All other instruments (including all derivatives) are measured at fair value with changes recognized in profit or loss
- The concept of “embedded derivatives” does not apply to financial assets within the scope of the standard and the entire instrument must be classified and measured in accordance with the above guidelines.

The IASB has indefinitely postponed the mandatory adoption date of this standard.

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**IFRS 9 Financial Instruments (2010)**

This is a revised version incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing de-recognition requirements from IAS 39 Financial Instruments: Recognition and Measurement.

The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss; in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

The IASB has indefinitely postponed the mandatory adoption date of this standard

**P. Forward-Looking Statements**

Some of the statements contained in this MD&A may be deemed “forward-looking statements.” These include estimates and statements that describe the Company’s future plans, objectives or goals, and expectations of a stated condition or occurrence. Forward-looking statements may be identified by the use of words such as “believes”, “anticipates”, “expects”, “estimates”, “may”, “could”, “would”, “will”, or “plan”. Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties.

Actual results relating to, among other things, results of exploration, reclamation, capital costs, and the Company’s financial condition and prospects, could differ materially from those currently anticipated in such statements for many reasons such as but not limited to; changes in general economic conditions and conditions in the financial markets; changes in demand and prices for the minerals the Company expects to produce; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; technological and operational difficulties encountered in connection with the Company’s activities; and changing foreign exchange rates and other matters discussed in this MD&A.

Readers should not place undue reliance on the Company’s forward-looking statements. Further information regarding these and other factors, which may cause results to differ materially from those projected in forward-looking statements, are included in the filings by the Company with securities regulatory authorities. The Company does not assume any obligation to update or revise any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws, whether as a result of new information, future events or otherwise.