

PRECIPITATE GOLD CORP.
Management Discussion and Analysis (“MD&A”)
for the six months ended May 31, 2014

The following discussion and analysis of the operations, results, and financial position of Precipitate Gold Corp. (“the Company”) for the six months ended May 31, 2014, should be read in conjunction with the Company’s unaudited financial statements and related notes for the six months ended May 31, 2014, and the audited financial statements for the year ended November 30, 2013. The effective date of this report is July 25, 2014. All figures are presented in Canadian dollars, unless otherwise indicated.

COMPANY OVERVIEW

The Company was incorporated pursuant to the provisions of the *Business Corporations Act* (British Columbia) on January 31, 2011. On May 24, 2012, the Company completed an initial public offering (“IPO”) on the TSX Venture Exchange (“TSX-V”) and commenced trading under the symbol PRG. The Company is in the business of exploration, development and exploitation of mineral resources in Canada, the Dominican Republic and Mexico. The Company’s primary objective is to explore mineral properties to a stage where they can be developed profitably or sold to a third party.

On August 16, 2012, Corporacion Minera San Juan, S.R.L. (“CMSJ”) applied to the Dominican Republic government for the rights to two mineral exploration concessions, Juan de Herrera and Higos Blancos. The rights to a third concession, Hato Nuevo, were later transferred to CMSJ at no additional cost to CMSJ or to the Company. On November 9, 2012, the Company acquired 100% of the shares of 0945044 BC Ltd., a private BC registered company (“BC Corp.”) and by extension BC Corp’s wholly owned subsidiary, Corporacion Minera San Juan, S.R.L.. On October 9, 2013, the Company announced it reached an amending agreement with 0945044 B.C. to amend the November 2012 Purchase Agreement to defer by 12 months all remaining cash and share payment obligations. Under the amended terms, in order for the Company to maintain its rights to the title and interest in BC Corp., the Company must make staged payments, complete certain property expenditures; and distribute common shares of the Company to the shareholders of BC Corp., over a period commencing on January 07, 2014; the date when the government of the Dominican Republic granted full title to the Juan de Herrera concession. During the year ended November 30, 2013, the Company abandoned the Higos Blancos concession application.

On February 19, 2013, the Company announced it acquired the right to earn a 100% interest in the Cecilia gold project located in northeast Sonora, Mexico, from Gunpoint Exploration Ltd. (“Gunpoint”). Under the terms of the agreement, upon execution of the agreement, but prior to making the first payment, the Company was granted a four month due diligence period, during which time it was granted full access to the project and all available data. On June 27, 2013, the Company announced an amendment to the agreement with Gunpoint, whereby the due diligence period was extended an additional four months from the amendment date and the payment schedule was revised. On October 24, 2013, the Company announced completion of its due diligence review and its decision to proceed with the option to acquire a 100% interest in the Cecilia Project.

On April 23, 2013 the Company revised the April 14, 2011 Fireside agreement with Strategic Metals Ltd (“Strategic”). In the revised agreement Precipitate is deemed to have (i) fully exercised its option and completed the acquisition of a 100% interest in the Reef, Papua, and Borneo properties in southeast Yukon, subject to a 2% net smelter return (“NSR”) to Strategic, (ii) terminated the option on 14 remaining Fireside properties, with Strategic retaining its 100% interest in those claims, and (iii) no further payments or expenditures are required by Precipitate, with all considerations made to date constituting completion of the revised agreement. By terminating the original Fireside Agreement, Precipitate has eliminated a \$1.3 million expenditure commitment previously required for Precipitate to earn a 100% interest in any of the Fireside projects. Precipitate continues to hold other wholly owned projects in the region, acquired by staking.

On August 10, 2013, the Company announced it reached a purchase agreement with Bearing Resources Ltd. (“Bearing”) whereby Precipitate agreed to acquire from Bearing a 100% interest in the Jay East

mining claims (a portion of the Reef Property) in the Yukon Territory. In exchange for the 100% interest in the property, Precipitate granted Bearing a 2.0% net smelter returns royalty ("NSR") on the claims, of which one-half of the NSR can be purchased at any time for \$1.0 million.

MINERAL PROPERTY EXPLORATIONS

The Company is investigating, evaluating and conducting exploration activities in the Dominican Republic, Sonora Mexico, British Columbia and Yukon Territory, Canada. The Company's mineral property interests are as follows:

a) Properties in the Dominican Republic

On November 9, 2012, the Company acquired 100% ownership of the shares of 0945044 BC Ltd., a private BC registered company ("BC Corp.") which owns a 100% interest in the application for the Juan de Herrera and Hato Nuevo mineral exploration concessions ("Dominican Republic properties") in the Dominican Republic through Corporacion Minera San Juan, S.R.L. ("CMSJ"), its wholly-owned subsidiary. The agreement was amended on October 9, 2013 whereby all the cash payments and share payment obligations will be deferred by 12 months. Upon signing of the initial agreement, the Company paid \$60,000 to acquire the shares of BC Corp. from certain shareholders of BC Corp.

In order for the Company to maintain its right, title and interest in BC Corp., the Company must complete the following cash payments, exploration expenditures and share issuances based on the Juan de Herrera concession Grant Date of January 07, 2014:

- Cash payments totalling \$390,000 as follows:
 - \$90,000 on or before January 12, 2015
 - \$150,000 on or before January 7, 2016; and
 - \$150,000 on or before January 7, 2017;
- Incur exploration expenditures totalling \$1,000,000 as follows:
 - \$250,000 on or before January 7, 2015;
 - \$300,000 on or before January 7, 2016; and
 - \$450,000 on or before January 7, 2017;
- Issue a total of 3,000,000 common shares of the Company as follows:
 - 1,000,000 common shares on or before January 12, 2015;
 - 1,000,000 common shares on or before January 7, 2016; and
 - 1,000,000 common shares on or before January 7, 2017;

The properties are subject to a 3% NSR from any base and precious metal commercial production. The Company may acquire 50% of the NSR by paying \$2,000,000 to certain stakeholders of BC Corp.

During the year ended November 30, 2013, the Company abandoned the Higos Blancos concession.

b) Cecilia, Sonora, Mexico

On October 24, 2013, the Company announced completion of its due diligence review and its decision to proceed with the option to acquire from Gunpoint Exploration Ltd. ("Gunpoint") a 100% interest in the Cecilia Project in northeastern Sonora state, Mexico,.

Under the terms of the agreement, the Company can elect to complete the acquisition by making the following cash payments and issuing common shares to Gunpoint, as follows:

- 58,000 common shares of the Company at the completion of due diligence on October 24, 2013 (issued at a value of \$5,800);
- \$125,000 and 233,000 common shares on or before October 24, 2014; and
- \$275,000 and 234,000 common shares on or before October 24, 2015.

A portion of the property is subject to a 1% NSR payable to the Mexican Government; for three small inlier concessions only.

c) Reef Property

The Company's principal property, referred to as the "Reef Property" is a contiguous area totaling 8,615 hectares located in the Yukon Territory. The Reef Property is comprised of the following mineral quartz claims: the Reef I-48 claims, the Jay 73-80, Jay 141-193, & Jay 203-250 claims ("Jay East Property"); and the Bloom I-262 claims. Via the April 2013 and August 2013 revised agreements with Strategic Metals and Bearing Resources, the Company now controls 100% of the Reef property, subject to certain royalty provisions.

d) Other Properties in Yukon Territory

The Company acquired the Bright and Lombok properties, located in Yukon Territory, through staking. During the year ended November 30, 2013, the claims making up the Lombok property had expired and therefore the staking costs of \$27,300 relating to the Lombok property were written off.

e) Other Properties in British Columbia

The Company acquired the Ba, Gemini, and Horneline properties, located in the British Columbia, through staking. During the year ended November 30, 2013, the claims making up the Ba property had expired and therefore the staking costs of \$738 relating to the Ba property were written off. During the six months ended May 31, 2014, the claims making up the Horneline property of \$993 were written off.

OPERATIONS UPDATE

Private placement

On May 26, 2014, the Company completed a non-brokered private placement of 6,953,333 units at a price of \$0.15 per unit for gross proceeds of \$1,043,000. Each unit consists of one common share and one share Purchase warrant ("warrant"). Each warrant entitles the holder to purchase one additional common share at a price of \$0.25 per share for a period of 12 months, expiring May 26, 2015. The Company has the right to accelerate the expiry date of the warrants if the daily volume weighted average trading price of the common shares of the Company is equal to or exceeds \$0.50 for a period of 10 consecutive trading days, commencing four months after the date the warrants are issued.

Juan de Herrera, Dominican Republic

Since announcing the Dominican Republic properties acquisition in August 2012, the Company has completed multiple phases of regional and local scale exploration work. Follow up exploration programs in 2013 and early 2014 have dominantly focused on the newly discovered Ginger Ridge and Melchor gold zones. Both zones are located within the Juan de Herrera concession. Detailed follow up exploration at the priority Ginger Ridge Zone includes geological mapping, rock-soil, trench sampling and an induced polarization ("IP") geophysical survey.

Work at the Ginger Ridge Zone has yielded the following highlight results:

- Trench sampling reporting 32.5 metres of 1.0 grams per tonne ("g/t") gold and 18 g/t silver; including 23.0 metres ("m") of 1.3 g/t gold and 22 g/t silver; mineralization remains open to the north and weakly to the south;
- A second trench, perpendicular to the initial trench in an east-west direction, bisects the centre of the north-south trench (above), yielded 15.0 metres of 1.6 g/t gold and 25 g/t silver; mineralization remains open to the west and east;
- Ginger Ridge's gold-in-soil anomaly exceeds a distance of 2,000 metres length;
- Induced polarization geophysical chargeability and resistivity highs coincident with surface gold anomalies identified across the entire strike of an 800 metre survey grid;
- A marked chargeability high starting at surface is coincident with highlight surface trench results; and
- The entire chargeability anomaly remains open along strike to the northwest, southeast, and to depth below the estimated survey depth limit of 200 metres.

Geological mapping indicates that the Ginger Ridge soil & geophysical anomalies are underlain by steep northeast dipping, variably altered, intermediate volcanic Tiroo formation rocks (dacitic flows/tuffs and andesites) which are inferred to be cut by northwest, northeast and eastward trending fault structures. Observed mineralization includes irregular quartz-barite veins, veinlets and stockworks with varying pyrite (\pm hematite-limonite) contents up to 40% locally; alteration includes associated clay, silica, barite, calcite and chlorite.

Soil and rock sampling has revealed a northwest-southeast trending gold anomaly of more than 2.0 kilometres ("km") in length. The gold in soil anomaly has identified two parallel and laterally extensive gold zones hosted within what are interpreted to be steep northeastward dipping Tiroo volcanic lithologies. The enriched multi-element core anomaly, centred in the cut line control grid, is characterized by a correlation of gold and silver with several pathfinder elements which variably include arsenic, antimony, barium, lead, copper and zinc. Surface sampling at Ginger Ridge now covers an estimated area measuring 2,200m by 750m, blanketing most of the eastern slope of Ginger Ridge itself. The gold in soil anomaly is set to greater than the 70th percentile, incorporating both rocks and soils (>242 ppb and >6 ppb gold respectively).

On April 08, 2014, the Company reported favourable results from its late March 2014 induced polarization geophysical survey and as a result the Company is now preparing to drill test the Ginger Ridge Zone. The

IP geophysical survey was conducted on five parallel grid lines at 200 metre intervals, covering approximately 800 metres strike length within the central core of the 2,000 metre long gold-in-soil anomaly. Elevated chargeability readings correlate well with the surface trace of the northwest trending gold-in-soil anomalies, likely marking zones of increased sulphide concentrations within the host Tiroo volcanic rocks. Significantly, the survey identified a marked chargeability high on line 1400 which correlates well with the previously reported surface rock chip channel sampling results of 32.5 metres of 1.0 g/t gold and 18 g/t silver. Moving from north to south, elevated chargeability readings start at bedrock surface and are strongest on the northernmost line 1000 (up to 10mv/v), then over the 800 metre long survey extent tend to project deeper to the southeast and have a reduced relative strength at the southernmost survey line 1800 (up to 4.5 mv/v). Importantly, the primary elevated chargeability anomalies remain open on strike, both to the northwest and southeast and also at depth. Together, the resistivity and chargeability readings appear to map major rock types and structures. On the western side of the survey area, a regionally mapped thrust fault is inferred to dip vertically to steeply to the northeast, marking the structural contact between younger limestone rocks and the overlying gold-silver enriched Tiroo volcanic lithologies.

Cecilia, Sonora, Mexico

On February 19, 2013, the Company announced the option to acquire a 100% interest in the Cecilia low sulphidation gold project in northeastern Sonora state, Mexico, from Gunpoint Exploration Ltd., for a total consideration of \$400,000 and 525,000 shares of Precipitate payable over 28 months.

Work to date at Cecilia includes: bottle roll test analyses, acquisition and evaluation of previously unattainable historic drill core and reports from prior operators, review of the property's concession and surface title rights, environmental-archaeological evaluation and surface and underground channel and grab sampling programs. Highlight results include the following.

- Cyanide bottle roll extraction test work reporting up to 80% gold recovery;
- Acquisition of previously unavailable historic 1995 Cambior exploration data and drill core;
- Selective verification of Cambior drill holes 95-08 & 17; of which hole 95-08 reported 75.0m grading 0.74 g/t gold ("Au"), including 30m of 1.14 g/t Au;
- Individual historical artisanal working channel samples assaying up to 10.0 g/t Au; and
- Identification of multiple anomalous underexplored target areas outside the main cerro zone.

Reef Project, Southeast Yukon

The Reef Property is located 200 km north of Watson Lake, Yukon. Reef claims are in the northern portion of the Upper Hyland Gold Trend, which is underlain by gold prospective sedimentary rocks of the NeoProterozoic to middle Cambrian aged Selwyn Basin. Highway #10 cuts the eastern side of the property allowing property access and suitable staging areas. The Upper Hyland Gold Trend is a +50 kilometre long region of gold mineralization, which includes a number of other notable sediment-hosted gold occurrences, such as the Hy, 3 Ace, Sprogge and Justin. Located on the west side of the Reef property, the high priority Fer Zone hosts two large gold-arsenic soil anomalies, where gold is typically found within zones of quartz veining and extensive silica flooding, in association with variable but generally low amounts of pyrite, arsenopyrite and trace amounts of other base metals.

During the 2011-12 field seasons, Precipitate completed airborne magnetics and radiometric surveys, 3D inversion modeling of the magnetic data, and multiple phases of rock-silt-soil geochemical sampling and geological mapping and prospecting. The Company now has an enhanced understanding and appreciation of the structural and lithologic controls on the gold mineralization. Late 2012 exploration work focused on the priority Fer Zone (aka Camp Cirque area), where detailed geological mapping and rock sampling, and additional soil sampling and prospecting were carried out.

In preparation for a possible future drill program, the Company has the necessary permits and studies in place. These include a five-year Class 3 Mining Land Use Permit from the Yukon Environmental and Socio-economic Assessment Board (dated April 2012), a property-wide desktop Heritage Resources

Overview Assessment (HROA) and a preliminary field archaeological reconnaissance report for preferred roadside camp locations. Contingent upon the Company in its normal course of operations satisfying certain terms and conditions, the Class 3 Permit will allow the Company to precede with the proposed exploration activities. No exploration work was conducted from December 2012 to June 2014.

Gemini, British Columbia

Precipitate's 100% owned Gemini gold property is located about 50 km southwest of the Alaska Highway in north central British Columbia (also 95 km southeast of Watson Lake, Yukon). Gemini is located about 25 km east of the Northern Rocky Mountain Trench Fault and lies within Kechika Trough, an elongated southerly extension of Selwyn Basin. The Kechika Trough and Selwyn Basin are rift-controlled sedimentary basins that formed along the North American continental margin during Upper Proterozoic to Paleozoic time.

In 2011, Precipitate completed prospecting, silt and soil sampling and airborne geophysical surveys over the central and southwest portions of the Gemini property. 3D magnetic inversion modelling of the 2011 airborne mag data has been particularly useful as much of the property is covered by glacial till and soil. A test biogeochemical survey was carried out in spring 2012 and a follow-up one week long reconnaissance program consisting of additional silt sampling, geological mapping and prospecting from the Kechika River (water access) side of the property was completed in August 2012. No exploration work has been conducted since August 2012.

Operations - Going Forward

The Company's current exploration work is focussed on its Dominican Republic gold-silver properties. At the Ginger Ridge zone (Juan de Herrera), mapping, rock-soil sampling and induced polarization geophysical programs have delineated targets for a first phase drilling program. The 6 to 8 hole diamond drill program, totalling about 1,200 metres, will be carried out during the months of July through September 2014.

On June 11 and July 02, 2014, the Company announced the acquisitions of additional concessions, via direct staking and a purchase-sale agreement. The Company has increased its land position in the Dominican Republic to an estimated 14,800 hectares, dominantly within the Tireo Gold camp. The new Richard concession acquisition, covering about 220 hectares, is located about four kilometres southeast of the Pueblo Viejo gold-silver-copper mine and provides the Company with a strategic new land position in a world-class modern gold mining camp. The Company is conducting a technical review of these new assets, which may lead to further onsite sampling and studies.

At Cecilia (Sonora, Mexico), the Company will continue to assess property data, collect property wide samples and inspect notable property showings with a focus on defining geophysical and drill testing targets.

For the balance of 2014, the Company has no plans to conduct field work on its Yukon or British Columbia properties. Company technical staff continues to assess data obtained from the 2012 Yukon and BC programs and management intends to maintain key Canadian properties in good standing.

Qualified Person

The technical information regarding the Company's mineral property contained in this MD&A has been reviewed by Michael Moore (P. Geo.) Mr. Moore is a Qualified Person ("QP") as defined in the "Canadian Institute of Mining, Metallurgy and Petroleum, CIM standards on Mineral Resources and Reserves" and NI 43-1-1.

SELECTED ANNUAL INFORMATION

	As at and year ended November 30, 2013	As at and year ended November 30, 2012	As at and period ended November 30, 2011
	\$	\$	\$
Revenue	Nil	Nil	Nil
Loss for the year	1,506,580	1,822,084	633,358
Loss per common share, basic and diluted	0.06	0.09	0.12
Weighted Average number of common shares outstanding	27,285,591	19,920,660	5,116,105
Statement of Financial Position Data			
Working capital	799,099	1,500,507	484,050
Total assets	3,476,198	4,279,197	955,322

SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Company's quarterly results for the last eight quarters:

	May 31, 2014	Feb 28, 2014	Nov 30, 2013	Aug 31, 2013	May 31, 2013	Feb 28, 2013	Nov 30, 2012	Aug 31, 2012
Expenses	\$281,118	\$201,161	\$230,177	\$241,327	\$422,478	\$524,736	\$720,995	\$489,883
Loss for the period	\$280,403	\$199,063	\$255,565	\$237,992	\$492,059	\$520,964	\$715,609	\$483,121
Weighted average shares outstanding	29,240,724	28,862,825	27,285,591	28,804,825	26,014,971	25,471,493	19,920,660	25,471,493
Loss per share	\$0.01	\$0.01	\$0.01	\$0.01	\$0.02	\$0.02	\$0.04	\$0.02
Mineral property acquisition costs	-	-	\$5,800	-	-	\$136	\$107,281	\$25,000
Mineral property interest write-off	\$993	-	\$99,998	-	-	-	-	-
Mineral property exploration costs	\$161,983	\$71,033	\$35,706	\$49,951	\$119,669	\$198,017	\$102,381	\$176,962

The Company's operating losses are due to mineral exploration, share-based compensation and general and administrative costs, such as audit and accounting fees, marketing, conferences and shareholder relation costs, salaries and wages, and office and administrative expenses incurred during the process of managing the Company's operations and to ensure regulatory compliance and can vary from quarter to quarter based on planned exploration activities, resource constraints, and share-based compensation.

DISCLOSURE OF OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had 35,816,158 shares outstanding. The following table summarizes maximum number of common shares outstanding as at May 31, 2014 and as of the date of this MD&A if all outstanding options were converted to shares:

	May 31, 2014	As of the date of this MD&A
Common shares	35,816,158	35,816,158
Share purchase warrants	10,286,665	10,386,665
Options to purchase common shares	3,080,000	3,080,000
	<u>49,182,823</u>	<u>49,282,823</u>

Escrow Shares

Pursuant to an escrow agreement dated February 1, 2012, 2,665,000 common shares were placed in escrow. 10% of the escrowed shares (266,500 shares) were released from escrow upon completion of the IPO on May 24, 2012, and 15% of the shares are released from escrow every 6 months thereafter. As of May 31, 2014 and the date of this MD&A, there were 799,500 common shares remaining in escrow.

Pursuant to an escrow agreement dated May 24, 2012, 3,846,367 Strategic Shares were placed in escrow ("Strategic Escrowed Shares"). 10% of the Strategic Escrowed Shares (384,637 shares) were released from escrow upon completion of the IPO, and 15% of the shares are released from escrow every 6 months thereafter. As of May 31, 2014 and the date of this MD&A, there were 1,153,910 Strategic Shares remaining in escrow.

RESULTS OF OPERATIONS

Three months ended May 31, 2014 ("Q2 2014") compared to three months ended May 31, 2013 ("Q2 2013")

The loss for the quarter ended May 31, 2014 was \$280,403 compared to \$492,059 for the quarter ended May 31, 2013. The decrease in Q2 2014 net loss is mainly due to a decrease in investor relations and share-based compensation expenses, offset by an increase in exploration and evaluation costs. Major variances are explained as follows:

- Exploration and evaluation costs of \$161,983 were incurred on the Company's properties during Q2 2014 compared to \$119,669 in Q2 2013. Most of the costs incurred were salaries and consulting fees for geological and geophysical services associated with property evaluations and assessments, including geological consulting fees paid to the Company's VP of Exploration, other related salaries and benefits, and office expenses incurred in the Company's Dominican Republic and Mexico offices. The increase in costs from Q2 2013 to Q2 2014 was due to the fact that there were more exploration activities in Q2 2014 in the Dominican Republic and Mexico compared with Q2 2014;
- Investor relations costs of \$3,156 were incurred during Q2 2014 for efforts on raising awareness among retail and institutional investors, compared to \$47,860 in Q2 2013. During the period from September 2012 to August 2013, the Company made increased efforts on raising awareness among retail and institutional investors, resulting in higher investor relation costs in Q2 2013;

- Share-based compensation during Q2 2014 was \$27,177 compared with \$88,572 for Q2 2013. The Q2 2013 share based compensation consists of fair value of 1,930,000 options granted on May 29, 2012 to directors, key employees and consultants, 150,000 options granted on August 21, 2012, 150,000 options granted on September 5, 2012, 150,000 options granted on December 3, 2012, 150,000 options granted on January 17, 2013 and 100,000 options granted on February 11, 2013. The Q2 2014 share based compensation consists of fair value of 150,000 options granted on September 5, 2012, 150,000 options granted on December 3, 2012, 150,000 options granted on January 17, 2013 and 510,000 options granted on April 14, 2014; and
- Write-off of mineral property interests was \$993 in Q2 2014 compared with \$71,960 in Q2 2013. The write-off during Q2 2014 relates to the staking costs for the claims making up the Horneline property located in British Columbia. The write-off in Q2 2013 was for the 14 Fireside options whose option was terminated per the amended agreement dated April 23, 2013.

Six months ended May 31, 2014 (“2014 period”) compared to six months ended May 31, 2013 (“2013 period”)

The loss for the six months ended May 31, 2014 was \$479,466 compared to \$1,013,023 for the six months ended May 31, 2013. The decrease in 2014 period net loss is mainly due to a decrease in exploration and evaluation costs, investor relations, marketing conferences and shareholder relations, and share-based compensation expenses, offset by a decrease in write-off of mineral property interests. Major variances are explained as follows:

- Exploration and evaluation costs of \$233,016 were incurred on the Company’s properties during the 2014 period compared to \$317,686 in the 2013 period. Most of the costs incurred were salaries and consulting fees for geological and geophysical services associated with property evaluations and assessments, including geological consulting fees paid to the Company’s VP of Exploration, other related salaries and benefits, and office expenses incurred in the Company’s Dominican Republic and Mexico offices. The decrease in costs from the 2013 to 2014 period was due to the fact that there were more exploration activities in 2013 period for the Dominican Republic, Mexico and Canadian properties compared with the 2014 period;
- Investor relations costs of \$4,134 were incurred during the 2013 period for efforts on raising awareness among retail and institutional investors, compared to \$98,888 in the 2013 period. During the period from September 2012 to August 2013, the Company made increased efforts on raising awareness among retail and institutional investors, resulting in higher investor relation costs in 2013;
- Marketing, conferences and shareholder relations costs of \$16,258 were incurred during the 2014 period for management’s attendance at mining conferences and for marketing consulting, compared to \$64,865 in the 2013 period. The decrease in costs was due to decreased number of mining conferences attended and marketing costs;
- Share-based compensation during the 2014 period was \$33,842 compared with \$198,938 for the 2013 period. The 2013 period’s share based compensation consists of fair value of 1,930,000 options granted on May 29, 2012 to directors, key employees and consultants, 150,000 options granted on August 21, 2012, 150,000 options granted on September 5, 2012, 150,000 options granted on December 3, 2012, 150,000 options granted on January 17, 2013 and 100,000 options granted on February 11, 2013. The 2014 period’s share based compensation consists of fair value of 150,000 options granted on August 21, 2012, 150,000 options granted on September 5, 2012, 150,000 options granted on December 3, 2012, 150,000 options granted on January 17, 2013 and 510,000 options granted on April 14, 2014; and
- Write-off of mineral property interests was \$993 in the 2014 period compared with \$71,960 in the 2013 period. The write-off during the 2014 period relates to the staking costs for the claims

making up the Horneline property located in British Columbia. The write-off in the 2013 period was for the 14 Fireside options whose option was terminated per the amended agreement dated April 23, 2013.

LIQUIDITY AND CAPITAL RESOURCES

The Company's ability to meet its obligations and its ability to finance exploration and development activities depends on its ability to raise cash through the issuance of common shares pursuant to private placements, the exercise of warrants and stock options. Capital markets may not always be receptive to offerings of new equity from treasury or debt, whether by way of private placements or public offerings. This may be further complicated by the limited liquidity for the Company's shares, restricting access to some institutional investors. The Company's growth and success is dependent on additional external sources of financing which may not be available on acceptable terms, particularly in the current economic environment that is unfavourable to exploration companies.

Working Capital

As of May 31, 2014, the Company's working capital was \$1,388,032, compared to working capital of \$799,099 as of November 30, 2013. The \$588,933 increase in working capital is mainly due \$1,033,564 of net funds received from the private placement that closed on May 26, 2014, offset by cash spent on operating expenses.

Cash

On May 31, 2014, the Company had \$1,403,735 of cash and cash equivalents, compared with \$789,524 of cash and cash equivalents on November 30, 2013. The \$614,211 increase in the cash position is mainly due to receiving \$1,033,564 of net funds from a private placement, spending \$186,779 on operating expenses, \$233,016 on exploration and evaluation costs, and \$24,836 on property investigation expenses.

Cash Used in Operating Activities

Cash used in the operating activities during the six months ended May 31, 2014 was \$419,353. Funds were used mostly on exploration and evaluation, property investigation, office and administrative, marketing, conferences and shareholder relations, and salaries and wages. Cash used in the operating activities during the six months ended May 31, 2013 was \$678,750. This cash was mostly spent on exploration and evaluation, investor relations, office and administration fees, marketing, conferences and shareholder relations, rent and salaries and wages, as well as on paying off accounts payable.

Cash Used in Investing Activities

During the six months ended May 31, 2013, the Company spent \$136 on mineral acquisition costs. There were no cash spent in investing activities during the six months ended May 31, 2014.

Cash Generated by Financing Activities

During the six months ended May 31, 2014, the Company received proceeds of \$1,043,000 from a private placement whereby 6,953,333 units at \$0.15 per unit was issued and spent \$9,436 of costs associated with the private placement. During the six months ended May 31, 2013, the Company received proceeds of \$500,000 from a private placement whereby 3,333,332 units at \$0.15 per unit was issued.

Requirement of Additional Equity Financing

The Company relies primarily on equity financing for all funds raised to date for its operations. The Company needs further funds to finance its exploration and development programs and its ongoing operating costs. The Company has raised a \$1,043,000 of gross funds from a private placement that closed on May 26, 2014. Until the Company has profitable operations from the extraction of minerals and precious metals, the Company intends to continue relying upon the issuance of securities to finance its operations and acquisitions.

SUBSEQUENT EVENT

On July 15, 2014, the Company issued 100,000 share purchase warrants to Santo Mining Corp. Each warrant can be exercised for one common share at \$0.30 per share until October 15, 2014.

GOING CONCERN

The recoverability of amounts shown as mineral properties is dependent upon the discovery of economically recoverable reserves, the Company's ability to obtain financing to develop the properties and the ultimate realization of profits through future production or sale of the properties. Realized values may be substantially different than carrying values as recorded in these financial statements.

The Company's consolidated condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to continue its operation as a going concern for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. At May 31, 2014, the Company had not achieved profitable operations, had an accumulated deficit of \$4,441,488 since inception and expects to incur further losses in the development of its business. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. The Company's consolidated condensed interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

Although the Company has been successful in the past in obtaining financing, there can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations, exploration and development activities.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions and balances are as follows:

- (a) During the six months ended May 31, 2014, the Company paid for \$77,500 (2013 - \$57,587) of salaries and wages to the President and CEO of the Company.
- (b) During the six months ended May 31, 2014, the Company paid/accrued for \$50,625 (2013 - \$67,500) of geological consulting fees and \$16,875 (2013 - \$Nil) of property investigation costs to the Vice President of Exploration of the Company, of which \$12,612 was included in accounts payable and accrued liabilities as at May 31, 2014 (November 30, 2013 - \$13,779).
- (c) During the six months ended May 31, 2014, the Company paid \$15,000 (2013 - \$15,000) in accounting fees and \$7,500 (2013 - \$15,000) in office and administration expense to a company partially controlled by a director of the Company.
- (d) During the six months ended May 31, 2014, the Company paid \$Nil (2013 - \$12,000) of salaries and wages to the Company's former CFO.

- (e) During the six months ended May 31, 2014, the Company paid/accrued a total of \$24,000 (2013-\$24,000) to the four directors of the Company, of which \$4,000 was included in accounts payable and accrued liabilities as at May 31, 2014 (November 30, 2013 - \$4,139).
- (f) Total fair value of the share-based payments to directors and officers, being key management personnel, is \$27,410 (2013 - \$46,714) for the six months ended May 31, 2014.

PLAN OF OPERATIONS AND FUNDING

The Company's plan of operations for the next twelve months is as follows:

- initiate a diamond drill program at the Ginger Ridge zone of the Juan de Herrera concession, with a view to testing the geochemical and geophysical targets. In addition, the Company will endeavour to identify additional areas of interest within the Juan de Herrera concession, while embarking on first phase exploration work, including surface sampling, mapping and possible geophysical work at the Company's other Dominican concession applications;
- continue to assess property data, collect property wide samples and inspect notable property showings at Cecilia with a focus on defining geophysical and drill testing targets;
- continue to assess the results obtained from the exploration programs completed on the Company's Yukon and British Columbia properties;
- continue the evaluation and assessment of other prospective mineral exploration projects in geologically and geopolitically attractive jurisdiction, as opportunities are presented to the Company; and
- monitor and evaluate capital markets for possible equity financing opportunities attainable under favourable terms to finance the Company's on-going operations and exploration activities.

FINANCIAL INSTRUMENTS

Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

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 included in current assets, except for those with maturities of greater than 12 months after the end of the reporting period, which are classified as non-current assets. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Financial Assets at Fair Value Through Profit or Loss

An instrument is classified at fair value through profit or loss if it is held for trading. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company has not designated any accounts as fair value through profit or loss.

Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an instrument is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company has not designated any financial assets as available-for-sale.

Financial Liabilities

Financial liabilities other than derivative liabilities are recognized initially at fair value and are subsequently stated at amortized cost. Transaction costs on financial assets and liabilities other than those classified as fair value through profit and loss are treated as part of the carrying value of the asset or liability. Transaction costs for assets and liabilities at fair value through profit and loss are expensed as incurred.

Impairment of Financial Assets

The Company assesses at the end of each reporting date whether there are indicators of impairment present for financial assets other than financial assets valued through profit and loss. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

An impairment loss in respect of a financial asset carried at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted using the instrument's original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset that was previously recognized in profit or loss, is removed from equity and recognized in profit or loss.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

The fair value of cash and cash equivalents, and accounts payables and accrued liabilities approximates their carrying value due to their short-term maturity.

The Company is exposed to potential loss from various risks including credit risk, liquidity risk, interest rate risk, political risk and foreign currency fluctuation risk. These risks are described in more detail in the Risk and Uncertainties section of this MD&A.

RISK AND UNCERTAINTIES

The exploration and development of mineral properties are highly speculative activities and are subject to significant risks, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in size to return a profit from production. The Company's ability to realize on its investments in exploration projects is dependent upon a number of factors: management's ability to continue to raise the financing necessary to complete the exploration and development of those projects and the existence of economically-recoverable reserves within the projects.

At the present time the Company does not hold any interest in a mining property in commercial production. The Company has incurred net losses since inception, and has limited financial resources and no positive mineral operating cash flow. No assurance can be given that additional funding will be available for further exploration and development of the Company's projects or to fulfill the Company's obligations under any applicable agreements. Other risks and uncertainties include:

Competitive industry

Mining industry is intensely competitive and the Company will compete with other companies that have far greater resources.

Exploration risks

Mineral exploration is highly speculative in nature. The Company's exploration projects involve many risks, and success in exploration is dependent upon a number of factors including, but not limited to, quality of management, quality and availability of geological expertise and availability of exploration capital. The Company cannot give any assurance that its future exploration efforts will result in the discovery of mineral resources or mineral reserves.

Foreign Countries and Political Risk

Two of the resources assets held by the Company are located in the Dominican Republic and Mexico where mineral exploration and mining activities may be affected in varying degrees by political instability, expropriation of property and changes in government regulations such as tax laws, business laws, environmental laws and mining laws, affecting the Company's business in that country. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its business, or if significant enough, may make it impossible to continue to operate in the country. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, foreign exchange restrictions, export controls, income taxes, expropriation of property, environmental legislation and mine safety.

Fluctuating metal and share prices

Factors beyond the control of the Company may affect the marketability of precious any other metals or minerals discovered. Commodity prices fluctuate widely and are affected by numerous factors beyond the Company's control whose effect cannot accurately be predicted.

In recent years, the securities markets in the United States and Canada have experience a high level of price and volume volatility, and the market price of securities of many companies, particularly those

considered exploratory and development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying assets values or prospects of such companies. There can be no assurance that continual and extreme fluctuations in price will not occur.

Ability to continue as a going concern

The unaudited financial statements of the Company for the six months ended May 31, 2014 were prepared in accordance with IFRS on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business. As noted in the “Liquidity and Capital Resources” section, there are number of conditions that raise substantive doubt about the Company’s ability to continue as a going concern in the longer term.

The ability of the Company to continue as a going concern is dependent upon the existence of economically recoverable mineral reserves and the ability to raise adequate financing from lenders, shareholders and other investors to support such business activities. It is anticipated that the Company will rely on the equity markets in the upcoming fiscal year to meet its financing needs, including funding future exploration activity.

Given the current economic environment, there can be no assurance that such financing will be available to the Company on acceptable terms, or at all. Failure to continue as a going concern would require the Company’s assets and liabilities to be presented on a liquidation basis, which would differ materially from the going concern basis.

The following are risks related to the Company’s financial instruments:

- (i) **Credit Risk** – Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents and amounts receivable. Cash and cash equivalents are held with a major Canadian financial institution and the receivables are from Government entities. Management is of the view that all amounts are fully collectible.
- (ii) **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 currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company’s financial obligations are limited to accounts payable and accrued liabilities, all of which have contractual maturities of less than a year.
- (iii) **Interest Rate Risk** – Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no interest-bearing debt. The Company’s sensitivity to interest rates is minimal.
- (iv) **Political Risk** – The Company has subsidiaries in the Dominican Republic, Mexico and the United States. These operations are potentially subject to a number of political, economic and other risks that may affect the Company’s future operations and financial position.
- (v) **Foreign Currency Fluctuation Risk** – The Company has vendors in Canada, the Dominican Republic and Mexico; therefore, the Company’s operations are affected by the currency fluctuations in these jurisdictions.

CAPITAL MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital, reserves and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as considered appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off balance sheet arrangements.

RECENT ACCOUNTING PRONOUNCEMENTS

The following standards have been adopted in the Company's financial statements for the period beginning December 1, 2013, however the adoption of these standards does not have any significant impacts on the Company's' financial statements:

IFRS 10 *Consolidated Financial Statements* ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 *Consolidated and Separate Financial Statements*.

IFRS 12 *Disclosure of Interests in Other Entities* ("IFRS 12") sets out the disclosure requirements for entities reporting under IFRS 10 and IFRS 11, and replaces the disclosure requirements currently found in IAS 28 *Investments in Associates* ("IAS 28"). The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate: (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 *Fair Value Measurement* ("IFRS 13") converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price.

IAS 1 *Presentation of Financial Statements* ("IAS 1") was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks,

uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this MD&A contains forward-looking statements, pertaining to the following: capital expenditure programs, development of resources, treatment under governmental regulatory and taxation regimes, expectations regarding the Company's ability to raise capital, expenditures to be made by the Company to meet certain work commitments, and work plans to be conducted by the Company.

With respect to forward-looking statements listed above and contained in this MD&A, the Company has made assumptions regarding, among other things: the legislative and regulatory environment, the impact of increasing competition, unpredictable changes to the market prices for minerals, that costs related to development of mineral properties will remain consistent with historical experiences, anticipated results of exploration activities, and the Company's ability to obtain additional financing on satisfactory terms.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth in this MD&A: volatility in the market prices of minerals, uncertainties associated with estimating resources, geological problems, technical problems, exploration problems, processing problems, liabilities and risks including environmental liabilities and risks inherent in the exploration and mining, fluctuations in currency and interest rates, incorrect assessments of the value of acquisitions, unanticipated results of exploration activities, competition for capital, competition for acquisitions of reserves, competition for undeveloped lands, competition for skilled personnel, political risks and unpredictable weather conditions.

ADDITIONAL INFORMATION

For further detail, see the Company's interim financial statements for the six months ended May 31, 2014 and the audited financial statements for the year ended November 30, 2013. Additional information about the Company can also be found on www.sedar.com.

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Vivien Chuang (Chief Financial Officer)
Adrian Fleming (Chairman of the Board, and Director)
Darryl Cardey (Director)
Quinton Hennigh (Director)
Gary Freeman (Director)

Members of the Audit Committee

Gary Freeman (Chair)
Adrian Fleming
Darryl Cardey

Members of the Compensation Committee

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