

KESTREL GOLD INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2016

Background

This management's discussion and analysis ("MD&A") focuses on key items from the financial statements for Kestrel Gold Inc. (also referred to as "Kestrel" or the "Company") for the three months ended December 31, 2016, which are available on SEDAR (www.sedar.com) and the factors reasonably expected to impact future operations and results as prepared on February 28, 2017. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions. Additionally, other matters may occur which could affect the Company in the future. This discussion should be read in conjunction with the unaudited interim financial statements of the Company for the three months ended December 31, 2016 and 2015 and the related notes ("Financial Statements"). The unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Audit Committee is responsible for reviewing the contents of this document, together with the financial statements to ensure the reliability and timeliness of the Company's disclosure while providing another level of review for accuracy and oversight.

This MD&A was reviewed and approved by the Company's Audit Committee and Board of Directors and is effective as of February 28, 2017.

All dollar amounts are Canadian unless otherwise stated.

Business Overview

Kestrel was incorporated under the *Business Company's Act* (Alberta) on April 12, 2007 under the name "Bling Capital Corp.". On November 1, 2007, the Company commenced trading on the TSX Venture Exchange Inc. ("TSX-V") under the symbol BLI.P. The Company changed its name from Bling Capital Corp. to Kestrel Gold Inc. on June 24, 2010. Its symbol on the TSX-V is "KGC". The Company is currently suspended from trading on the TSX-V. The Company's head office address is Suite 208, 110 12th Avenue S.W., Calgary, Alberta, T2R 0G7. The registered and records office address is 1900, 520 3rd Avenue S.W., Calgary, Alberta, T2P 0R3.

The principal business activity of Kestrel is the acquisition, exploration and evaluation of mineral properties. The Company is exploring and evaluating mineral properties in Canada with the aim of bringing these properties to production, possibly with a joint venture partner. Kestrel's mineral properties at the date of this MD&A include the King Solomon Dome property (the "KSD Property) in Canada's Yukon Territory.

The Company has not been able to identify a known body of commercial grade minerals on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company being able to identify a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the properties.

The Company is primarily involved in early stage exploration mining activities and as such does not at present have any cash-generating units such as operating mines and the associated common indicators of impairment. Broad market fluctuations, mineral markets, processing equipment costs, government regulations, including those relating to royalties, allowable production, importing and exporting of minerals, and environmental protection are subject to change several times over any given period and cannot be readily quantified as indicators of impairment at the grassroots stage of Mineral exploration. However, due to a sustained decrease in metal prices and general market conditions for Mineral exploration companies, the Company concluded these factors constituted an indication of impairment.

The Company continues to work on all of its mining properties and at such point as a claim becomes uneconomic, the Company would consider the abandonment of such property and write the value of such asset off at that time.

Forward-Looking Statements

This MD&A contains “forward-looking information” and “forward-looking statements” (together, the “forward looking statements”) within the meaning of applicable securities laws. All statements other than statements of historical fact may be considered forward looking statements.

Forward-looking statements in this document include, but are not limited to, estimates, forecasts and statements as to the Company’s belief with respect to, among other things, the timing of its drilling, exploration programs and exploration results and ongoing development studies and assessing potential development options, the ability to complete further acquisitions of additional mineral properties, , the ability of the Company to access capital to fund its operations and activities, the ability of the Company to mitigate or settle indebtedness by the issuance of capital and the ability of the Company to respond to market fluctuations and government regulations. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Statements concerning mineral resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if the property is developed. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects” or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “estimates” or “intends”, or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements. While the Company has based these forward-looking statements on its expectations about future events as at the date that this document was prepared, the statements are not a guarantee of the Company’s future performance and are subject to risks, uncertainties, assumptions and other factors which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Such factors and assumptions include, amongst others, the effects of general economic conditions, changing foreign exchange rates and actions by government authorities, uncertainties associated with legal proceedings and negotiations, misjudgments in the course of preparing forward-looking statements. In addition, there are also known and unknown risk factors which may cause actual

events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation risks related to:

- the Company's lack of revenues from operations and its continued ability to fund ongoing and planned exploration and possible future mining operations;
- the Company's history of losses, which may continue to occur in the future;
- the Company's ability to raise money in the future to fund its operations;
- the possibility of delay in exploration or development programs and uncertainty of meeting anticipated program milestones and the Company's ability to successfully establish mining operations or profitably produce precious or other metals;
- actual capital costs, operating costs, production and economic returns, and uncertainty that any possible future development activities will result in profitable mining operations;
- mineral resource figures being estimates based on interpretations and assumptions which may result in less mineral production under actual conditions than is currently estimated;
- changes in the market price of gold and silver, and other minerals which in the past have fluctuated widely and which could affect the profitability of possible future operations and financial condition;
- currency fluctuations;
- interpretation of drill results and the geology, continuity and grade of mineral deposits;
- the inherently dangerous activity of mining, including conditions or events beyond the Company's control;
- uncertainty in the Company's ability to obtain and maintain certain permits necessary for current and anticipated operations;
- the Company being subject to environmental laws and regulations which may increase the costs of doing business and/or restrict operations;
- land reclamation requirements which may be burdensome;
- the uncertainty in the Company's ability to attract and maintain qualified management and other personnel to meet the needs of anticipated growth and risks relating to its ability to manage growth effectively;
- the Company's held mineral properties being subject to prior unregistered agreements;
- transfers, or claims and other defects in title;
- increased competition that could adversely affect the Company's ability to attract necessary capital funding or acquire suitable properties for mineral exploration in the future;

- officers and directors becoming associated with other natural resource companies which may give rise to conflicts of interests;
- the volatility of the Company's Common Share price and volume;
- potential claims by indigenous people over the Company's mineral properties;
- the ability of the Company to obtain regulatory body, shareholder and other third party approvals related to proposed acquisitions.

The above list is not exhaustive of the factors that may affect the Company's forward-looking statements. Some of the important risks and uncertainties that could affect forward-looking statements are described further in this MD&A under "Risk Factors and Uncertainties" and "Financial Instruments" below and other information released by the Company and filed with the appropriate regulatory authorities. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking statements. Although the Company has attempted to identify important risk factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other risk factors that cause actions, events or results not to be as anticipated, estimated or intended. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made, and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by law. Readers are cautioned against attributing undue reliance or certainty to forward-looking statements contained in this MD&A.

Basis of Presentation

Basis of Measurement

The unaudited interim financial statements have been prepared on the historical cost basis except for the financial instruments at fair value through profit or loss which are measured at fair value. In addition, the financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and judgments.

Critical accounting estimates

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

Restoration, rehabilitation and environmental provisions (asset retirement obligations)

Decommissioning and restoration obligation provisions represent management's best estimate of the present value of the future costs. Significant estimates and assumptions are made in determining the amount of obligation provisions. Those estimates and assumptions deal with uncertainties such as: requirements of the relevant legal and regulatory framework; the magnitude of possible disturbance; and the timing, extent and costs of required restoration and rehabilitation activity. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

Accrued liabilities

Management makes estimates of obligations to the Company as a result of past transactions. The estimates are reviewed on an ongoing basis and revisions to the estimate are recognized in the period in which the estimate is revised.

Assumptions used in the calculation of the fair value assigned to share-based payments

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

Critical accounting judgments

Critical accounting judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Economic recoverability and profitability of future economic benefits of Mineral property interests

Management has determined that exploration, evaluation and related costs incurred which were capitalized, have future economic benefits and are economically recoverable. Where future economic benefits and economic recovery are determined to be below the carrying value, management have assessed impairment. Management uses several criteria in its assessment including geologic and metallurgic information, history of conversion of Mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits, life of Dome plans or the estimates of fair value based on information from market participants.

Going Concern

For the three months ended December 31, 2016, the Company incurred a net loss of \$33,414, had a working capital deficiency of \$990,348 as at December 31, 2016 and had an accumulated

deficit to December 31, 2016 of \$12,900,715. As Kestrel is an exploration stage company, it has no sources of revenue, therefore its ability to continue to meet its obligations, conduct exploration activities and continue as a going concern is dependent upon its ability to raise additional capital to fund exploration activities and meet its obligations. There is no assurance at this time that the Company will be able to obtain the necessary financing to continue operations. If Kestrel is unable to obtain suitable financing in the near future, it will be necessary for the Company to examine other strategic alternatives to continue operations and enhance shareholder value, including, but not limited to, seeking creditor protection, seeking a joint venture partner, relinquishing its rights to properties or projects deemed uneconomical, the possible sale of some or all of the Company's assets or the merger, amalgamation or sale of the Company with or to a larger, better financed entity.

The unaudited interim financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis assumes that the Company will continue operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. If the going concern assumption was not appropriate for these unaudited interim financial statements, then material adjustments would be necessary to the carrying amounts of the assets and liabilities, the reported expenses and the balance sheet classifications used.

Report on Operations

The following overview discusses results of Kestrel's exploration related operations that were conducted during the periods prior to December 31, 2016.

Yukon, Canada

On October 31, 2010, Kestrel acquired an option to earn a 100% interest in a number of mineral exploration properties in the Dawson Mining District, collectively known as the King Solomon Dome Project, located within the heart of the Yukon Territory's world-renowned Klondike Goldfields where total placer gold production to date has been estimated to be around 20 million ounces of gold.

The KSD Property (the most significant portion of the King Solomon Dome Project) is road accessible and located approximately 30 km southeast of Dawson City within an area of extensive past and present placer mining activity.

The KSD Property has had sporadic work conducted over the years since the Klondike Gold Rush discovery of 1896 and high grade surface gold mineralization has been reported on a number of occasions, but no diamond drilling has previously occurred.

In early September 2013, a diamond drill program commenced at the King Solomon Dome Property following Kestrel entering into an agreement dated August 30, 2013, to option up to 50% of the Company's interest in the King Solomon Dome property to Rackla Metals Inc. ("Rackla") (TSX-V: RAK).

Three diamond drill holes were completed (1,191m), spaced approximately 250 to 300 metres apart, to test known quartz veins, surface rock and soil geochemical anomalies and resistivity and induced polarization (IP) geophysical anomalies. The holes were drilled on a westerly to south westerly azimuth and inclined between 50 and 55 degrees at the collars. A map of the drill locations is shown on Kestrel's website at www.kestrelgold.com.

All three drill holes intersected low grade gold mineralization with some high grade gold encountered (up to 4.89 g/t Au in drill hole DDH13-02: Kestrel news release: November 28, 2013). No visible gold was found in any of the drill core as has been historically reported at surface.

Following incurring exploration expenditures of approximately \$300,000 by Rackla, on November 28, 2013, Rackla terminated its option agreement dated August 30, 2013 and has relinquished all interest back to Kestrel in the KSD Property.

The 2013 fall drilling campaign, because of its limited scope, has only partially explained the main chargeability anomaly and large areas of the property wide soil and rock surface geochemical anomaly remain untested. Kestrel management is of the opinion that this initial and modest diamond drill program does not preclude the possibility that high grade zones of gold and silver mineralization are present proximal to the drilling as well as elsewhere on the KSD property. The structural complexity present needs to be incorporated into a modified geological model.

Untested zones at KSD include:

- Other geophysical anomalies – in particular on the western side of the KSD Property - that have different geophysical signatures to the drilled anomaly.
- The high grade gold area sampled in the vicinity of the Mitchell vein approximately 750 metres NNW of DDH13-02 with a corresponding geochemical soil anomaly (Kestrel news releases: December 16 and 14, 2011).
- The property wide extent of the large gold geochemical soil anomaly with samples of up to 4 g/t Au approximately 1.5km along strike south from DDH13-03.

On November 7, 2014, the Company completed a renegotiation of the option agreement to acquire the KSD property. Specifically, all payments and share issuances to November 7, 2014 were deemed full satisfaction of the acquisition of a 100% interest in the King Solomon Dome property, concurrent with the Company surrendering all interest in the Gold Run Creek and Dominion Mountain properties in exchange for ownership. All future exploration activities will be focused on the King Solomon Dome property. Accordingly, the Company recognized a full impairment of capitalized costs amounting to \$414,529 related to the Gold Run Creek and Dominion Mountain properties for the fiscal year ended September 30, 2014 in accordance with Level 3 of the fair value hierarchy.

Further exploration is warranted at KSD and is contingent on Kestrel obtaining further financing.

Capital Expenditures

Acquisition and exploration expenditures during the three months ended December 31, 2016 were \$nil (2015 - \$nil).

Operating Segments

The Company primarily operates in one reportable operating segment, being the acquisition, exploration and evaluation of mineral properties in Canada. Geographic information is as follows:

	Exploration and Evaluation Assets	Net Loss and Comprehensive Loss
December 31, 2016		
Canada	\$ 300,000	\$ 33,414
December 31, 2015		
Canada	\$ 300,000	\$ 4,290

Selected Quarterly Information

December 31	2016	2015	2014
Total revenues	\$ nil	\$ nil	\$ nil
Loss for the period	\$ 33,414	\$ 4,290	\$ 44,451
Basic and diluted loss per share	\$ 0.002	\$ 0.001	\$ 0.01
Total assets	\$ 305,074	\$ 315,362	\$ 1,299,348
Total liabilities	\$ 990,603	\$ 847,630	\$ 603,070
Shareholders' (deficiency) equity	\$ (685,529)	\$ (532,268)	\$ 626,278

Results from Operations

Selected Information

The Company's unaudited interim Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The following selected information is taken from the unaudited interim financial statements for the period ended December 31, 2016.

Review of Financial Results

For the period ended December 31, 2016, the Company reported a net loss of \$33,414 compared to a net loss of \$4,290 for the period ended December 31, 2015. A comparison of expenses for December 31, 2016 and 2015 is provided in the table below.

Expenses include overheads associated with administering the Company's regulatory requirements and supporting the exploration activities.

	For the three months ended December 31, 2016	For the three months ended December 31, 2015	Increase (Decrease)
	\$	\$	\$
Expenses			
Consulting fees	18,000	2,000	16,000
Professional fees	4,584	-	4,584
Filing fees	3,250	-	3,250
Travel and promotion	2,556	-	2,556
Accretion of convertible debentures and	2,262	-	2,262
Investor relations/website	2,098	2,404	(306)
Office, rent and administration	365	1,627	(1,262)
Interest expense and bank charges	299	135	164
Insurance	-	(226)	226
	33,414	5,940	27,022

An analysis of the significant changes is outlined below:

- Consulting fees increased by \$16,000 from \$2,000 for the period ended December 31, 2015 to \$18,000 for the period ended December 31, 2016 due to the consulting services required to revoke the Cease Trade Order.
- Professional fees increased by \$4,584 from \$nil for period ended December 31, 2015 to \$4,584 for the period ended December 31, 2016, as legal services were required to facilitate the revocation of the Cease Trade Order.
- Listing and filing fees increased by \$3,250 from \$nil for the period ended December 31, 2015 to \$3,250 for the period ended December 31, 2016 due to the filings required that related to the potential revocation of the Cease Trade Order.

Summary of Quarterly Results

The following is selected financial data from the Company's quarterly financial statements with the most recently completed 8 quarters:

	Quarter Ended December 31, 2016	Quarter Ended September 30, 2016	Quarter Ended June 30, 2016	Quarter Ended March 31, 2016
	(\$)	(\$)		(\$)
Net loss	(33,414)	(93,138)	(8,293)	(20,678)
Net loss per share (basic and fully diluted)	(0.002)	(0.006)	(0.001)	(0.001)
Total assets	305,074	304,305	304,049	303,684
Exploration and evaluation assets	300,000	300,000	300,000	300,000
Total liabilities	992,865	958,682	865,288	856,630
Shareholders' deficiency	(687,791)	(654,377)	(561,239)	(552,946)

	Quarter Ended December 31, 2015	Quarter Ended September 30, 2015	Quarter Ended June 30, 2015	Quarter Ended March 31, 2015
	(\$)	(\$)	(\$)	(\$)
Net loss	(4,290)	(939,592)	(184,665)	44,960
Net loss per share (basic and fully diluted)	(0.001)	(0.06)	(0.00)	(0.00)
Total assets	313,362	317,008	1,168,836	1,204,662
Exploration and evaluation assets	300,000	300,000	1,117,738	1,117,738
Total liabilities	847,630	844,986	771,222	634,876
Shareholders' (deficiency) equity	(532,268)	(527,978)	397,614	569,786

Liquidity and Capital Resources

To date, the Company has not yet realized profitable operations and has relied on equity financing to fund the losses.

The financial statements have been prepared assuming the Company will continue on a going-concern basis. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing.

As at December 31, 2016, the Company had a working capital deficit of \$990,348 including restricted cash of \$2,556. The Company does not generate cash inflows from operations.

In the short term, the Company intends to undertake a private placement equity financing to fund payment of immediate operating costs, such as sustaining fees, rent, legal, accounting and audit fees and to partially fund exploration costs. The Company also intends to settle some of its existing debt with creditors by issuance of common shares of the Company.

In the long term, the Company intends to undertake a series of ongoing private placement equity offerings to regularly fund ongoing operations and a program of property exploration and development, acquisitions of property interests, and planned working capital requirements. The Company's execution of this restructuring is essential to restoring and providing for future liquidity.

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. If adequate financing is not

available when required, the Company may be required to delay, scale back, eliminate or relinquish various programs and may be unable to continue in operation. The Company will be required to seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company, or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests. Management is considering various sources of financing available to the Company.

On December 10, 2014, the Company completed a non-brokered private placement of 300,000 units of the Company at a purchase price of \$0.05 per unit for gross proceeds of \$15,000. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one common share at a purchase price of \$0.10 for 20 months from the date of issuance.

On December 10, 2014, the Company issued 350,000 Common Shares in connection of conversion of the \$100,000 loan to a note.

On January 16, 2015, the Company completed a non-brokered private placement of 570,000 units of the Company at a price of \$0.05 per unit for gross proceeds of \$28,500. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one common share at a purchase price of \$0.10 for 20 months from the date of issuance.

On January 16, 2015, the Company completed a private placement debenture financing raising \$155,000 in gross proceeds of which \$100,000 was converted from loans payable. These unsecured convertible debentures bear simple interest at a rate of 20% per annum, mature January 16, 2016 and are convertible at any time at the option of the holders of the debentures, into common shares of the Company at a deemed price of \$0.05 per common share. The debentures have been classified into debenture liability and equity components in the Company's financial statements using the fair value method using an effective rate of 22% when valuing the liability first. This resulted in an initial amount of \$164,952 being allocated to the liability portion and \$2,451 being allocated to the equity portion.

Management continues to evaluate and adjust its planned level of activities to attempt to ensure that adequate levels of working capital are maintained. The future availability of funding will affect the planned activity levels at the King Solomon Dome Project and expenditures will, as much as possible, be adjusted to match available funding.

The Company's future revenues, if any, are expected to be in large part derived from the mining and sale of gold or base metals or interests related thereto. The economics of developing and producing gold properties are affected by many factors including the cost of operations, variations in the grade of ore Domed and the price of gold. Depending on the price of gold, the Company may determine that it is impractical to continue commercial production. The price of gold has fluctuated widely in recent years. Gold prices are affected by many factors beyond the Company's control including anticipated changes in international investment patterns and monetary systems, economic growth rates, political developments, extent of sales of reserves by governments and shifts in the private supply of and demand for gold. The supply of gold consists of a combination of new Dome production and existing stocks held by governments, producers, financial institutions and consumers. If the market price for gold falls below the Company's full production costs and remains at such levels for any sustained period of time, the

Company will experience losses and may decide to discontinue operations or other development of a project or mining at one or more of its properties.

The Company has restricted cash of \$2,556 in the form of a term deposit held as collateral for the Company's credit card limits. The term deposit bears an interest rate of 0.5% per annum and matures on July 7, 2017. The Company has not issued any dividends and management does not expect this will change in the near future.

During the period ended December 31, 2016, the Company used cash for operating activities of \$137. The Company spent no funds on mineral property acquisition costs or exploration expenditures during the period ended December 31, 2016.

Capital Expenditures

As at December 31, 2016, the Company had \$nil in capital expenditures for exploration work and acquisition costs. Following is a breakdown of these capital expenditures:

	3 months ended December 31, 2016	Year ended September 30, 2016
Balance, beginning of period	\$ 300,000	\$ 300,000
Balance, end of period	\$ 300,000	\$ 300,000

Capital Expenditures and Commitments

King Solomon Dome Project, Canada

An Option Agreement was made as of October 31, 2010 between Bernie Kreft and J.A.E. Resources Ltd. as Optionor and Kestrel Gold Inc. as Optionee for the King Solomon's Dome, Gold Run Creek and Dominion Mountain properties, Dawson Mining District, Yukon Territory, Canada.

The Optionor agreed to grant an Option to the Optionee to acquire up to an undivided one hundred (100%) percent right, title, estate and interest in each of the Properties under the terms and conditions of the Option Agreement.

The Option shall be fully exercised by the Company in the following manner: A payment of \$15,000 (paid on execution) by the Optionee to the Optionor and the issuance by the Optionee to the Optionor of 100,000 Common Shares (pre-share consolidation) in the share capital of the Optionee upon the execution date of the Agreement, to be divided as to \$15,000 payable to JAE Resources Ltd. and 100,000 Shares to be issued to Bernie Kreft. In addition, payments by the Optionee to JAE Resources Ltd. are to be paid in four (4) installments, in the manner and on the following dates:

	King Solomon Dome Property	Gold Run Creek Property	Dominion Mountain Property	Total
On or before August 20, 2011 (paid)	\$20,000	\$20,000	\$10,000	\$50,000
On or before August 20, 2012 (paid)	\$55,000	\$55,000	\$35,000	\$145,000
On or before September 20, 2013	\$60,000	\$60,000	\$50,000	\$170,000
On or before August 20, 2015	\$100,000	\$100,000	\$100,000	\$300,000
Total	\$235,000	\$235,000	\$195,000	\$665,000

On August 14, 2013, the Company entered into an amending agreement with respect to the King Solomon Dome property, Gold Run Creek property and Dominion Mountain property, whereby payments aggregating \$170,000 originally due on August 20, 2013 were deferred until September 20, 2013. The Company and the optionor agreed to amend certain terms of the Option Agreement related to the consideration payable under the option agreement to acquire the Gold Run Creek and Dominion Mountain properties. Specifically, the optionor had agreed that in lieu of the Company paying the optionor the remaining sum of \$110,000 cash on or before September 20, 2013, as a further instalment to acquire the Gold Run Creek and the Dominion Mountain properties, such instalment payment had been restructured to allow for the payment of \$27,500 to the optionor on or before September 20, 2013, the issuance of 275,000 common shares of the Company during the year ended September 30, 2015 and a payment of \$27,500 on or before October 20, 2013. During the year ended September 30, 2015, the Company issued 275,000 common shares of the Company at a fair value of \$55,000 and made payments totalling \$100,000 to the optionor.

On November 7, 2014, the Company completed a renegotiation of the option agreement to acquire the KSD property. Specifically, all payments and share issuances to November 7, 2014 were deemed full satisfaction of the acquisition of 100% interest in the King Solomon Dome property, concurrent with the Company surrendering all interest in the Gold Run Creek and Dominion Mountain properties in exchange for ownership. All future exploration activities will be focused on the King Solomon Dome property. Accordingly, the Company recognized an impairment of \$414,529. The property was written down to the value of the security taken against the property of \$300,000 at September 30, 2015.

Due primarily to the Company's planned future activities on the King Solomon Mine Project, as at September 30, 2015, indicators of impairment existed leading to a test of recoverable amount of the King Solomon Mine Project, which resulted in an impairment loss of \$817,739. A value in use calculation is not applicable as the Company does not have any expected cash flows from using the property at this stage of operations. In estimating the fair value less costs of disposal, management did not have observable inputs to estimate the recoverable amount. As this valuation technique requires management's judgement and estimates of the recoverable

amount, it is classified within Level 3 of the fair value hierarchy. The Company estimated the recoverable amount based on the fair value of the convertible debenture amounting to \$300,000 secured by the property that would be extinguished upon default.

Contingent upon funding, Kestrel is committed to carry out further comprehensive exploration on the KSM property in the quest for potentially economic gold and silver mineralization.

Related Party Transactions

Key management personnel are individuals responsible for planning, directing and controlling the activities of the Company, and include certain directors. Key management compensation comprises:

	December 31, 2016	December 31, 2015
Short-term benefits	\$ 18,000	\$ -

Short-term benefits comprise of consulting, professional and directors' fees.

At December 31, 2016, \$257,371 (December 31, 2015 - \$326,176) is included in accounts payable and accrued liabilities payable to related parties. All advances and amounts due to related parties have repayment terms similar to the Company's other accounts receivable and payable, and are unsecured and without interest. All of the above transactions and balances are in the normal course of operations.

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the periods ended December 31, 2016 and December 31, 2015.

Short-term benefits comprise consulting, professional and directors' fees.

As at December 31, 2016, \$257,371 (September 30, 2016 - \$363,405) is included in accounts payable and accrued liabilities to related parties.

All advances and amounts due to related parties have repayment terms similar to the Company's other accounts receivable and payable, and are unsecured and without interest.

All of the above transactions and balances are in the normal course of operations.

Outstanding Share Data

The Company began the current fiscal year with 14,815,842 Common Shares outstanding and ended the current fiscal year with 14,815,842 Common Shares outstanding.

As at the close of business on February 28, 2017, the Company had 14,815,842 common shares outstanding.

Share based payments

Under IFRS, graded vesting awards are accounted for as though each installment is a separate award. IFRS does not provide for an election to treat the instruments as a pool and recognize expense on a straight line basis. Under IFRS, the estimates of the number of equity-settled awards that vest are adjusted to the actual number that vests, unless forfeitures are due to market-based conditions.

Investor Relations

The Company provides Investor relations through its website Kestrelgold.com. The contact information for President/CEO Mr. Kevin Nephin and/or the V.P. Exploration, Mr. William Taylor is on the Company's website.

Stock Options

The Company grants stock options as part of its long-term incentive program intended to encourage the creation and improvement of the Company's long-term success by holders of stock options. At December 31, 2016, there were nil (September 30, 2016 – nil) stock options outstanding with a weighted average exercise price of \$nil (September 30, 2016 - \$nil). During the year ended September 30, 2016, 212,500 (September 30, 2015 - \$193,750) stock options expired.

Private Placements

On December 10, 2014, the Company completed a non-brokered private placement offering of 300,000 units of the Company at a purchase price of \$0.05 per unit for total proceeds of \$15,000. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one common share at a purchase price of \$0.10 for twenty months from the date of issuance.

On December 10, 2014, the Company issued 350,000 common shares in connection to the conversion of a \$100,000 loan payable.

On January 16, 2015, the Company completed a non-brokered private placement of 570,000 units of the Company at a price of \$0.05 per unit for gross proceeds of \$28,500. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one common share at a purchase price of \$0.10 for 20 months from the date of issuance.

In relation to the December 10, 2014 and January 16, 2015 non-brokered private placements, \$8,700 was allocated to reserves based on the residual value method.

Financial Instruments

Overview

The Company has exposure to the following risks from its use of financial instruments:

- (i) Credit risk
- (ii) Liquidity risk

(iii) Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. These risks are discussed with Management and to the extent the Board determines that the risks are of such a nature that they need to be mitigated, procedures are put in place. To date, no specific risk management tools have been put in place to mitigate these risks.

Credit Risk

Credit risk is the risk that one party to a financial instrument, will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to a significant concentration of credit risk consist of primarily of cash and cash equivalents and receivables.

The fair value of financial instruments at December 31, 2016 and September 30, 2016 is summarized as follows:

	December 31, 2016		September 30, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and restricted cash	\$ 2,373	\$ 2,373	\$ 2,511	\$ 2,511
Amounts receivable – at amortized cost	\$ 4	\$ 4	\$ 4	\$ 4
Financial Liabilities at amortized cost				
Accounts payable and accrued liabilities	\$ 456,170	\$ 456,170	\$ 424,387	\$ 424,387
Liability portion of convertible debentures	\$ 536,512	\$ 536,512	\$ 534,250	\$ 534,250

The carrying amounts of amounts receivable and accounts payable and accrued liabilities approximates fair value due to the short-term nature of these financial instruments.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. Due to the fact that Company has no operations to generate cash flow to meet such obligations and is an exploration stage Company, the Company requires external financing to ensure all of its obligations are met on a timely basis. To date, the Company has been successful in raising the funds necessary to meet its obligations and fund its capital program.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and commodity prices.

Foreign currency risk

The Company is not subject to significant foreign currency risk.

Interest rate risk

The Company is not subject to significant interest rate risk.

Other price risk

The Company is not subject to significant other price risk.

Foreign Currency Risk

The Company only operates in Canada. Therefore the Company is not exposed to foreign exchange risk arising from transactions denominated in foreign currency.

Other Price Risks

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices and the stock market to determine the appropriate course of action to be taken by the Company.

Risk Factors and Uncertainties

As an exploration company, Kestrel's goal is to continue to find resources and reserves that can be developed economically. In attempting to accomplish this goal, the Company faces many risks that it must minimize. In addition to financial instruments risks, the Company is subject to the following risks:

World Economic Conditions

The continuing worldwide economic conditions, reflective in stock market uncertainty and the international credit crisis could adversely impact the Company's ability to raise sufficient working capital to sustain operations. The Company can neither predict the impact the current economic conditions will have on future results, nor predict when the economy will show meaningful improvement.

Exploration Stage Company

The Company is engaged in the business of acquiring and exploring mineral properties in the hope of locating economic deposits of minerals. All of its properties are in the early stages of exploration and are without known deposits of commercial ore. Development of the Company's properties will only follow upon obtaining satisfactory exploration results. There can be no assurance that the Company's existing or future exploration programs will result in the discovery of commercially viable mineral deposits. Further, there can be no assurance that even if an economic deposit of minerals is located, that it can be commercially mined.

Mineral Exploration and Development

The exploration and development of minerals is highly speculative in nature and involves a high degree of financial and other risks over time which, even a combination of careful evaluation, experience and knowledge may not eliminate. While discovery of a mineral deposit or ore body may result in significant rewards, few properties which are explored are ultimately developed into producing Domes. Substantial expenses are required to establish ore reserves by drilling, sampling and other techniques and to design and construct mining and processing facilities.

Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit (i.e. size, grade, access and proximity to infrastructure), financing costs, the cyclical nature of commodity prices and government regulations (including those relating to prices, taxes, currency controls, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection). The effect of these factors or a combination thereof cannot be accurately predicted but could have an adverse impact on the Company.

Mining Operations and Insurance

Mining operations generally involve a high degree of risk. The Company's operations are subject to all of the hazards and risks normally encountered in mineral exploration and development. Such risks include unusual and unexpected geological formations, seismic activity, rock bursts, cave-ins, flowing and other conditions involved in the drilling and removal of material, environmental hazards, industrial accidents, nine months interruptions due to adverse weather conditions, labour disputes and political unrest. The occurrence of any of the foregoing could result in damage to, or destruction of, mineral properties or interests, production facilities, personal injury, damage to life or property, environmental damage, delays or interruption of operations, increases in costs, monetary losses, legal liability and adverse government action. The Company does not currently carry insurance against these risks and there is no assurance that such insurance will be available in the future, or if available, at economically feasible premiums or acceptable terms. The potential costs associated with liabilities not covered by insurance or excess insurance coverage may cause substantial delays and require significant capital outlays.

No Operating History and Financial Resources

The Company does not have an operating history and has no operating revenues and is unlikely to generate any in the near term. If its exploration program is successful, additional funds will be required for further exploration to prove economic deposits and to bring such deposits to production. Continued exploration and development of the Properties, as well as the Company's ability to continue as a going concern are dependent on Kestrel's ability to obtain necessary financing. As the Company is not currently producing from its Properties, it will be necessary for the Company to seek additional equity to finance its programs. While the Company has been successful in the past in attracting equity financing required to carry out its planned exploration program, there can be no assurance that additional funding will be available in the future, particularly in light of the current state of the equity markets. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration plans, as well as the Company's ability to meet its obligations and continue as a going concern.

The Company has a history of losses and expects to incur losses for the foreseeable future.

The Company has incurred losses during each period since incorporation. As of December 31, 2016, the Company had an accumulated deficit of \$12,900,715. Kestrel expects to continue to incur losses unless and until such time as one or more of the properties enter into commercial production and generate sufficient revenues to fund the Company's continuing operations.

Exploration and Development

The mining industry in general is inherently risky in nature. Mineral properties are often non-productive for reasons that cannot be anticipated in advance and the Company may be subject to risks from operations, mining law, environmental regulations, permits, licenses, land claims and financing.

The Company focuses exploration efforts in areas in which it has existing knowledge and expertise. Exploration activities rely on the exploration results collected at that time and on professional judgment of people involved in the exploration business. There can be no assurance that exploration programs will result in a discovery being made. In the event that a discovery is made, no assurance can be given that the discovery will result in either resources or reserves being established on the property. If reserves are established, it may take a number of years and substantial expenditures before production are achieved, during which the economic feasibility of the project may change.

The long-term profitability of the Company's operations will, in part, be directly related to the success of its exploration programs in finding additional reserves, which may be affected by a number of factors that are beyond the control of the Company.

Government Regulation

Kestrel's mining operations and exploration activities are subject to the laws and regulations of the Yukon Territory, Canada. There is no assurance that these laws will not change in the future.

The current or future operations of the Company, including exploration and development activities and the commencement and continuation of commercial production, require licenses, permits or other approvals from various foreign federal, state and local governmental authorities and such operations are or will be governed by laws and regulations relating to prospecting, development, mining, production, exports, taxes, labour standards, occupational health and safety, waste disposal, toxic substances, land use, water use, environmental protection, land claims of indigenous people and other matters. There can be no assurance, however, that the Company will obtain on reasonable terms, or at all, the permits and approvals, and the renewals thereof, which it may require for the conduct of its current or future operations or that compliance with applicable laws, regulations, permits and approvals will not have an adverse effect on any mining project which the Company may undertake. Possible future environmental and mineral tax legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays to the Company's planned exploration and operations, the extent of which cannot be predicted.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Competition

The mineral exploration and mining business is competitive in all of its phases. The Company will compete with numerous other companies and individuals, including competitors with greater financial, technical and other resources, in the search for and the acquisition of attractive mineral properties. The Company's ability to acquire properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable prospects for mineral exploration or development. There is no assurance that the Company will be able to compete successfully with others in acquiring such prospects.

Title to Property

The Company has taken precautions to ensure that legal titles to its property interests are properly recorded. There can be no assurance that the Company will be able to secure the grant or the renewal of exploration permits or other tenures on terms satisfactory to it, or that governments in the jurisdictions in which the properties are situated will not revoke or significantly alter such permits or other tenures or that such permits and tenures will not be challenged or impugned. Third parties may have valid claims underlying portions of the Company's interests and the permits or tenures may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. If a title defect exists, it is possible that the Company may lose all or part of its interest in the properties to which such defects relate.

Environmental Factors

All phases of the Company's operations will be subject to environmental regulation in the Yukon. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation, provide for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry activities and operations. They also set forth limitations on the generation, transportation, storage and disposal of hazardous waste. A breach of such regulation may result in the imposition of fines and penalties. In addition, certain types of mining operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the viability or profitability of operations. Environmental hazards may exist on the properties in which the Company holds interests or on properties that will be acquired which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties.

Although Kestrel takes the steps necessary to protect the environment around its operations, there is no assurance that future changes in environmental regulation, if any, will not adversely affect Kestrel's operations or result in substantial costs and liabilities in the future.

Kestrel has adopted a proactive approach to any potential environmental risks in the regions it is operating in.

Commodity Prices

The price of the Company's securities, its financial results and exploration, development and mining activities may in the future be significantly adversely affected by declines in the price of precious or base minerals. Precious or base minerals prices fluctuate widely and are affected by numerous factors beyond the Company's control such as the sale or purchase of precious or base metals by various dealers, central banks and financial institutions, interest rates, exchange rates, inflation or deflation, currency exchange fluctuation, global and regional supply and demand; production and consumption patterns, speculative activities, increased production due to improved mining and production methods, government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, environmental protection and international political and economic trends, conditions and events. The price of precious or base metals has fluctuated widely in recent years, and future serious price declines could cause continued development of the Company's properties to be impracticable.

Further, reserve calculations and life-of-Dome plans using significantly lower precious or base minerals prices could result in material write-downs of the Company's investment in mining properties and increased amortization, reclamation and closure charges.

In addition to adversely affecting reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Price Volatility

In recent years, 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.

Key Executives

The Company is dependent on the services of key executives and a small number of highly skilled and experienced consultants and personnel, whose contributions to the immediate future operations of the Company are likely to be of importance. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. Due to the relatively small size of the Company, the loss of these persons or the Company's inability to attract and retain additional highly skilled employees or consultants may adversely affect its business and future operations. The Company does not currently carry any key man life insurance on any of its executives. The directors and officers of the Company only devote part of their time to the affairs of the Company.

Dividends

The Company has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future as it intends to employ available funds for mineral exploration and development. Any future determination to pay dividends will be at the discretion of the Board of Directors of the Company and will depend on the Company's financial condition, results of operations, capital requirements and such other factors as the Board of Directors of the Company deem relevant.

Nature of the Securities

The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in Company's securities should not constitute a major portion of an investor's portfolio.

Off Balance Sheet Arrangements

At December 31, 2016 and as of the date of this MD&A, the Company had no material off balance sheet arrangements such as guarantee contracts, derivative instruments or any obligations that trigger financing, liquidity, market or credit risk to the Company.

Critical Accounting Estimates and Policies

The Company's accounting policies are discussed in detail in their unaudited interim financial statements for period ended December 31, 2016. However, accounting policies require the application of management's judgment in respect of the following relevant matters:

- (i) use of estimates – the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of estimates include accrued liabilities, the determination of the assumptions used in the calculation of share-based compensation expense and the valuation allowance for future income tax assets. Actual results could differ from those estimates used in the financial statements.
- (ii) Mineral property costs – the Company regularly reviews the carrying value of each mineral property for conditions that suggest impairment. This review requires significant judgment where the Company does not have any proven or probable reserves that would enable an estimate of future cash flows to be compared to the carrying values. Factors considered in the assessment of impairment include, but are not limited to, whether there has been a significant decrease in market price of the property; whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future and whether the Company has funds to be able to maintain its interest in the mineral property.

- (iii) share-based compensation – the Company provides compensation benefits to its employees, directors, officers and consultants through a stock-based compensation plan. The fair value of each option award is estimated on the date of the grant using the Black-Scholes option pricing model. Expected volatility is based on historical volatility of the stock. The Company utilizes historical data to estimate the expected option term for input into the valuation model. The risk-free rate for the expected term of the applicable option is based on the Government of Canada yield curve in effect at the time of the grant.

Actual results may differ materially from those estimates based on these assumptions.

International Financial Reporting Standards

During the period ended December 31, 2016, the Company applied IFRS.

These financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Significant Accounting Policies

The significant accounting policies used by the Company are disclosed in note 3 to the December 31, 2016 unaudited interim financial statements. The accounting policies presented in note 3 are a complete set of accounting policies that would normally be filed in the annual unaudited interim financial statements of the Company.

Future Accounting Changes

The following new standards have been issued by the IASB, but are not yet effective:

- (i) Disclosure Initiative (Amendments to IAS 7 *Statement of Cash Flows*)

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities

Applicable to the Company's annual period beginning October 1, 2017.

(ii) Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 *Income Taxes*)

The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

Applicable to the Company's annual period beginning October 1, 2017.

(iii) Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 *Share-based Payment*)

The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Effective to the Company's annual period beginning October 1, 2018.

(iv) IFRS 9 *Financial Instruments*

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

• *Classification and measurement of financial assets:*

Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".

• *Classification and measurement of financial liabilities:*

When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

• *Impairment of financial assets:*

An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial

instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

- *Hedge accounting:*
Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

Effective to the Company's annual period beginning October 1, 2018.

(v) IFRS 16 *Leases*

Earlier application permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers*.

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Effective to the Company's annual period beginning January 1, 2019.

The Company has assessed the impact of adopting the above future accounting standard changes on its financial statements; the impact on the Company is not significant.

The Company will be using its best commercial efforts to obtain financing in the future primarily through further equity financing. There can be no assurance that the Company will succeed in

obtaining additional financing, now or in the future. Failure to raise additional financing on a timely basis could cause the Company to suspend its operation and eventually to forfeit or sell its interest in its various mineral properties.

Legal Claims

On November 13, 2015, a law firm in which a former director of the Company is a partner filed claims totaling \$139,068 for unpaid legal services. The full amount is included in accounts payable and accrued liabilities. As the outcome of these claims cannot be determined, the Company has not accrued any further amounts in the financial statements.

Cease Trade Orders

On February 3, 2016, the Alberta Securities Commission issued a cease trade order against the Company for failing to file the annual unaudited interim financial statements, annual management's discussion and analysis and certification of annual filings for the year ended September 30, 2015.

On February 5, 2016, the British Columbia Securities Commission also issued a cease trade order against the Company for failing to file annual unaudited interim financial statements, annual management's discussion and analysis for the year ended September 30, 2015.

On February 21, 2017, the cease trade orders of both the Alberta Securities Commission and the British Columbia Securities Commission were revoked.

Additional Information

Additional information regarding the Company is available on SEDAR at www.sedar.com.