

Kestrel Gold Inc.

Management's Discussion and Analysis

For the Nine Months Ended June 30, 2017

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 nine and three months ended June 30, 2017, which are available on SEDAR (www.sedar.com) and the factors reasonably expected to impact future operations and results as prepared on August 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 nine months ended June 30, 2017 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 August 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's head office address is Suite 208, 110 12th Avenue S.W., Calgary, Alberta, T2R 0G7. The registered and records office address is Suite 208, 110 12th Avenue S.W., Calgary, Alberta, T2R 0G7.

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, Val-Jual, Clear Creek and Barney Ridge, Dease Lake Copper/Gold Porphyry and the King Solomon Dome properties all of which are in northern Canada.

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 ensuring 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 nine months ended June 30, 2017, the Company incurred a net loss of \$308,106, had working capital of \$556,028 as at June 30, 2017 and had an accumulated deficit to June 30, 2017 of \$13,175,407. 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

Third Quarter 2017 Highlights

During the third quarter, Kestrel completed several transactions which significantly improved the Company's near term overall financial position these transactions included:

- Issuing 5,018,700 common shares at \$0.05 per share to trade creditors to settle amounts owing of \$250,935.
- Issuing 9,100,000 common shares at a price of \$0.05 per share to convert outstanding all the issued and outstanding debentures in the amount of \$455,000 to share equity.
- Issuance of 16,666,666 units at \$0.03 per unit for gross proceeds of \$500,000 each unit is comprised of one common share and one common share purchase warrant, exercisable at any time up until April 3, 2020 at a price of \$0.05 per share.
- Issuance of 6,000,000 units at a price of \$0.10 per unit for gross proceeds of \$600,000 each unit is comprised of one common share and one common share purchase warrant, exercisable at any time up until June 21, 2019 at a price of \$0.10 per share.
- Entering into option agreements to acquire a 100% interest in four new properties in northern Canada.

- Commencing exploration activities on the new properties.

The following overview discusses results of Kestrel's exploration related operations that were conducted during the periods prior to June 30, 2017.

Northern 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 ("KSD") 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 KSD 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. As the King Solomon Dome property is in good standing until 2023 and other companies are active in the area Kestrel has opted to focus its exploration activities on the four new properties.

New property option agreements

On April 27th, 2017, the Company entered into option agreements with Bernie Kreft (“Kreft”) to acquire a 100% interest in the Clear Creek and Barney Ridge projects both located east of Dawson City, Yukon, and the Dease Lake Copper/Gold Porphyry Project located south of Dease Lake, B.C. Each of the Clear Creek and Barney Ridge projects are subject to separate option agreements. In order for Kestrel to earn a 100% interest it must, for each project, spend \$350,000 on exploration, drill a minimum of 2,500 metres (core or RC) as well as make cash payments and issue Kestrel common shares to Kreft as follows:

- Upon signing Kestrel paid \$20,000
- Year one anniversary – \$30,000
- Year two anniversary - \$50,000 and 250,000 shares
- Year three anniversary - \$80,000 and 250,000 shares
- Year four anniversary - \$120,000 and 500,000 shares

Each project is subject to a 2.5% royalty payable to Kreft with a buy down of 60% for \$1,500,000. Kestrel will also make other payments to Kreft in the event the following milestones are met:

- Should a Preliminary Economic Assessment (“PEA”) be completed, Kestrel will pay \$0.75 per gold equivalent ounce contained on the property in the inferred mineral resource or greater category at that time, to a maximum of \$2.5 million; and
- If a Feasibility Study is completed, Kestrel will pay \$1.50 per gold equivalent ounce contained on the property in all categories of Reserves and Resources at that time, less any amount paid at the time of the PEA, to a maximum of \$5 million.

To earn a 100% interest in the Dease Lake Copper/Gold Porphyry Project Kestrel must complete a total of 4,000 metres of drilling by the 5th anniversary of the deal as well as making cash payments and share issuances to Kreft as follows:

- Upon signing Kestrel paid \$10,000

- Year one anniversary - \$10,000
- Year two anniversary - \$10,000
- Year three anniversary - \$20,000
- Year four anniversary - \$40,000
- Year five anniversary - \$80,000 and 250,000 shares

The Dease Lake Copper/Gold Porphyry project is subject to a royalty payable to Kreft of 2.5% with a buy down of 60% for \$1,500,000.

- A total of 1,500 metres of drilling must be completed by the 4th anniversary, a further 2,500 metres of drilling must be completed by the 5th anniversary.
- Should a Preliminary Economic Assessment ("PEA") be completed, Kestrel will pay \$0.02 per pound copper equivalent contained on the property in the inferred mineral resource or greater category at that time, to a maximum of \$2.5 million; and
- If a Feasibility Study is completed, Kestrel will pay \$0.04 per pound copper equivalent contained on the property in all categories of Reserves and Resources at that time, less any amount paid at the time of the PEA, to a maximum of \$5 million.

The option is subject to certain customary conditions including, without limitation to, receipt of all necessary regulatory and third-party approvals, including the approval of the TSX Venture Exchange. The road accessible Clear Creek and Barney Ridge projects are located along the Left Fork of Clear Creek which is the site of extensive past and present placer mining activity. The projects are located approximately 60 kilometers west of Victoria Gold's Dublin Gulch Project and 55 kilometers southeast of Golden Predator's Brewery Creek Project. Numerous phases of exploration on the Clear Creek project has helped define several mineralized showings comprising two distinct mineralized settings: an intrusion-hosted bulk tonnage "Fort Knox" style sheeted vein setting and a structurally controlled high grade vein and breccia hosted setting in adjacent sedimentary rocks. The former setting is best indicated by the Eiger Stock where rock sampling returned values ranging from less than 5 ppb to 319.5 g/t gold along with anomalous bismuth, arsenic and tungsten values. Reverse-circulation drilling returned an intercept of 0.65 g/t gold over 88.0 metres with the final 3.0 metres grading 1.296 g/t gold. Southeast of this stock is a structurally controlled sediment-hosted quartz arsenopyrite vein, analysis of which returned values from less than 5 ppb up to 50.1 g/t gold. The Barney Ridge property also has potential to host both intrusion-hosted bulk tonnage "Fort Knox" style targets and structurally controlled sediment hosted mineralization in adjacent rocks. Rock sampling of altered sediments near the margin of the Barney Stock has returned values ranging from less than 5 ppb to 7.72 g/t gold across 0.8 metres. Highly variable silver and pathfinder element geochemistry suggests a multi-pulsed history of hydrothermal activity centered on the stock. The stock itself has only been subject to limited exploration activity and is thought to have good potential for "Fort Knox" style targets. Kestrel intends to further explore both the Clear Creek and Barney Ridge projects with soil sampling and hand trenching with a view towards developing targets for a preliminary RAB (Rotary Air Blast) drilling program later in the season. Continued exploration successes at Victoria Gold's Dublin Gulch property help confirm the highly prospective nature of the deposit models found on both the Clear Creek and Barney Ridge properties. The Dease Lake Copper/Gold Porphyry Project is located within the Quesnel Trough, approximately 35 kilometers south of Dease Lake and approximately 52 kilometers north of the Red Chris mine which is exploiting a major copper-gold porphyry system. The geological setting consists of Stikine Terrane middle to upper Triassic aged Stuhini group volcanics intruded by various late Triassic to mid-Jurassic granitic plutons and batholithic rocks. The Lode, Hotai, Hu and Upper Gnat target areas occur within Project environs. At Lode

numerous showings consisting of mineralized skarn, granitic to syenitic dykes and quartz veins have been identified. Rock geochemical sampling of these returned values from background to 13.027% copper and 1.012 g/t gold. These mineralization styles are typically found along the periphery or outbound of a mineralized porphyry centre. At Hotai, two sizable IP anomalies have been defined. One measures 750 m by 1,700 m and is coincident with a magnetic high feature. A diorite outcrop peripheral to this chargeability anomaly hosts copper-rich quartz veinlets, analyses of which has returned values of from trace to 0.567% copper and 0.074 g/t gold. The second chargeability target measures 1,100 m by 1,700 m and is coincident with an annular magnetic high surrounding a central magnetic low, considered a classic porphyry copper deposit signature. The Upper Gnat contains shear-hosted disseminated to semi-massive sulphide mineralization within the late Triassic Cake Hill pluton. Rock samples of this grade from trace to >1.0% copper and 5.219 g/t gold and possibly represent remobilized “bonanza-style” mineralization outbound from a porphyry centre. At Hu, grab samples ranging from trace to 2.01% copper and 0.708 g/t gold are found associated with an alteration assemblage consistent with those associated with alkalic porphyry copper-gold deposits. Kestrel intends to explore the various mineralized target areas with biogeochemical (tree) sampling, prospecting and hand trenching with a view towards developing targets for a preliminary RAB (Rotary Air Blast) drilling program later in the season.

On May 2, 2017, the Company entered into an option agreement with Kreft to acquire a 100% interest in the Val-Jual property located approximately 70km south west of Dawson City, Yukon. The Val-Jual property is bordered by the Dime property of White Gold Resources and K2 Gold’s Flume property both of which are to be actively explored during 2017.

To earn a 100% interest in the property Kestrel must spend \$500,000 on exploration and drill a minimum of 2,500 metres as well as making staged cash payments and issue common shares to Kreft as follows:

- Upon signing Kestrel paid \$40,000
- Year one anniversary – \$60,000
- Year two anniversary - \$80,000 and 200,000 shares
- Year three anniversary - \$100,000 and 300,000 shares
- Year four anniversary - \$220,000 and 1,000,000 shares

The property is subject to a royalty to Sandstorm Gold of 1.5% (no buy-down) and a royalty to Kreft of 1% with a buy-down of half for \$750,000.

Kestrel will also make other payments to Kreft in the event the following milestones are met:

- Should a Preliminary Economic Assessment (“PEA”) be completed, Kestrel will pay \$0.75 per gold equivalent ounce contained on the property in the inferred mineral resource or greater category (Canadian Institute of Mining definition) at that time, to a maximum of \$2.5 million; and
- If a Feasibility Study is completed, Kestrel will pay \$1.50 per gold equivalent ounce contained on the property in all categories of Reserves and Resources at that time, less any amount paid at the time of the PEA, to a maximum of \$5 million.

The option is subject to certain customary conditions including, without limitation to, receipt of all necessary regulatory and third-party approvals, including the approval of the TSX Venture Exchange. Originally staked by Teck Corp in 1998, the Val-Jual property has been subjected to

exploration by successive groups culminating in a six-hole, initial drill test by Solomon Resources in 2010. This work has outlined numerous gold and/or arsenic soil anomalies or mineralized zones, the most important of which are the Jual and Cupid Zones. The Jual Zone contains numerous northwest trending quartz veins, stockworks and fault zones within granite and minor metasedimentary pendants, analyses of which returned values ranging from less than 5 ppb to 41.8 g/t gold along with occasional highly anomalous silver, lead and copper. Soil sampling has returned values ranging from less than 5 ppb to 787 ppb gold over a 1.4 by 2.0 kilometer area open to the west towards the Cupid Zone. Trenching, restricted to easily accessible portions of this zone, has yielded results of up to 1.6 g/t gold over 25.0 metres and 1.0 g/t gold over 19.0 metres. Most of the highest-grade gold in soil anomalies remain untrenched due to reduced accessibility and the presence of permafrost. The Cupid Zone is located 3.0 kilometers west of the Jual Zone and contains altered granitic sub crop with rock sample values ranging from less than 5 ppb to 3.5 g/t gold and soils samples ranging from less than 5 ppb to 378 ppb gold. Based on geological, geochemical, geophysical and mineralogical similarities and untested intervening ground it is thought likely that the Cupid and Jual Zones are part of a single larger zone possibly as much as 6.0 square kilometers in size. The geological setting and geochemical signature of the Jual and Cupid Zones is very similar to that which occurs at the Golden Saddle deposit which started a massive staking rush in the White Gold area. No drilling has been completed on the Jual or Cupid Zones. Kestrel intends to focus on further exploring the Jual and Cupid Zones with soil sampling and hand trenching with a view towards developing targets for a preliminary RAB (Rotary Air Blast) drilling program. Other targets within the Val-Jual property will be similarly explored.

Capital Expenditures

Net acquisition and exploration expenditures during the nine months ended June 30, 2017 were \$61,761 (2016 - \$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
June 30, 2017		
Canada	\$ 361,761	\$ 308,106
June 30, 2016		
Canada	\$ 300,000	\$ 36,261

Selected Quarterly Information

June 30	2017	2016	2015
Total revenues	\$ nil	\$ nil	\$ nil
Loss for the period	\$ 308,106	\$ 8,293	\$ 184,665
Loss per share	\$.01	\$ 0.001	\$ 0.01
Total assets	\$ 988,183	\$ 304,049	\$ 1,168,836
Total liabilities	\$ 70,394	\$ 865,288	\$ 771,222
Shareholders' (deficiency) equity	\$ 917,789	\$ (561,239))	\$ 397,614

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 June 30, 2017.

Review of Financial Results

For the nine-month period ended June 30, 2017, the Company reported a net loss of \$308,106 compared to a net loss of \$36,261 for the nine-month period ended June 30, 2016. A comparison of expenses for June 30, 2017 and 2016 is provided in the table below.

Expenses include administrative costs associated with completing the Company's regulatory requirements and supporting the exploration activities.

	Nine months ended June 30, 2017 \$	Nine months ended June 30, 2016 \$	Increase (Decrease) \$
Expenses (Income)			
Stock base compensation	220,000	-	220,000
Management consulting fees	98,000	8,100	89,900
Investor relations/website	44,233	8,432	35,801
Listing and filing fees	17,246	6,400	10,846
Professional fees	11,509	1,044	10,465
Travel and promotion	4,009	8,389	(4,380)
Office, rent and administration	3,698	3,707	(9)
Telephone	1,712	-	1,712
Interest and bank charges	1,710	415	1,295
Gain on debt settlement	(94,011)	3,000	(97,011)
Insurance	-	(3,226)	3,226
	308,106	36,261	271,845

An analysis of the significant changes is outlined below:

- Investor relations/website increased by \$35,801 due to increased services requirements associated with restructuring the Company and completing the private placements
- Stock based compensation stems from the grant of 4,400,000 stock options at an exercise price of \$0.05 per share which vested when granted and can be exercised at any time up until April 4, 2020.
- Professional fees increased by \$10,465 as legal services were required to reactivate the Company, make various regulatory filings and hold an annual general meeting.
- Management consulting fees increased by \$89,900 due to the increase in management services required in completing the restructuring.
- Listing and filing fees increased by \$10,846 due to the filings required that related to the restructuring the Company.
- Gain on debt settlement was \$94,011 for the period ended June 30, 2017 due to the conversion of the debentures to common shares and the accrued interest being forgiven.

Summary of Quarterly Results

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

	Quarter Ended June 30, 2017	Quarter Ended March 31 2017	Quarter Ended December 31 2016	Quarter Ended September 30 2016
	(\$)	(\$)	(\$)	(\$)
Net loss	279,085	4,393	33,414	93,138
Net loss per share	0.006	0.0003	0.002	0.006
Total assets	988,183	310,356	305,074	304,305
Exploration and evaluation assets	361,761	300,000	300,000	300,000
Total liabilities	70,394	638,425	992,865	958,682
Shareholders' Equity (Deficiency)	917,789	(328,069)	(687,791)	(654,377)

	Quarter Ended June 30, 2016	Quarter Ended March 31, 2016	Quarter Ended December 31, 2015	Quarter Ended September 30, 2015
	(\$)	(\$)	(\$)	(\$)
Net loss	8,293	(20,678)	(4,290)	(939,592)
Net loss per share	0.001	0.001	0.001	0.06
Total assets	304,049	303,684	313,362	317,008
Exploration and evaluation assets	300,000	300,000	300,000	300,000
Total liabilities	865,288	856,630	847,630	844,986
Shareholders' Equity/(Deficiency)	(561,239)	(552,946)	(532,268)	(527,978)

Liquidity and Capital Resources

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

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 June 30, 2017, the Company had a working capital of \$556,028. The Company does not generate cash inflows from operations.

In the short term, the Company intends to continue to undertake 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.

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

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 favorable. 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 April 5, 2017, the Company completed a non-brokered private placement of 16,666,666 units of the Company at a price of \$0.03 per unit, for gross proceeds of \$500,000. Each unit consisted of one common share and one common share purchase warrant, each Warrant entitling the holder to purchase one common share of the Company at a price of \$0.05 per Warrant Share, at any time until April 3, 2020. The Common Shares and Warrants are subject to a statutory four month hold period, which expired August 5, 2017. Finder's fees were paid in cash in the amount of 10% of the gross proceeds in relation to some of the Units sold in the Private Placement.

The proceeds of the private placement will be used to carry out some exploration activities on Kestrel's new properties to pay for the next six months operating costs, for legal fees and to repay loans, in the amount of \$145,000 made by two of the Company's directors to sustain the Company.

On April 5, 2017, the Company granted to directors and officers, and a consultant to the Company, options to purchase in the aggregate 4,400,000 Common Shares at an exercise price of \$0.05 per share, which options will expire on April 4, 2022.

On June 22, 2017, the Company closed a non-brokered private placement of 6,000,000 units of the Company (the "Units") at a price of \$0.10 per unit, for gross proceeds of \$600,000. Each unit

consisted of one common share and one common share purchase warrant, each Warrant entitling the holder to purchase one common share of the Company at a price of \$0.15 per Warrant Share, at any time until June 21, 2019. The Common Shares and Warrants are subject to a statutory four month hold period, which expires October 22, 2017. Finder's fees were paid in cash in the amount of 8% of the gross proceeds and in finder's warrants in the amount equal to 8% of the number of units sold to subscribers who have been introduced to the Company by the finder, total finder warrants were 432,000.

The proceeds of the private placement will be used to pay finders' fees of \$37,560, for exploration activities in the amount of \$315,000 and up to \$247,440 for general working capital.

Management continues to evaluate and adjust its planned level of activities to in an attempt to ensure that adequate levels of working capital are maintained by Kestrel. The future availability of funding will affect the planned activity levels at the Company's various properties 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.

During the period ended June 30, 2017, the Company used cash for operating activities of \$124,537. The Company expended \$90,000 on mineral property acquisition costs and generated net funds from financing activities of \$954,337 during the period ended June 30, 2017.

Capital Expenditures

As at June 30, 2017, the Company had \$61,761 in capital expenditures for exploration work and acquisition costs. Following is a breakdown of these capital expenditures:

		Nine months ended June 30 2017	Year ended September 30 2016
Balance, beginning of period	\$	300,000	\$ 300,000
Acquisition of properties		90,000	-
Field work		2,761	-
Write off of deposit		(25,000)	-
Sale of equipment		(6,000)	-
Capital expenditures during the period		61,761	-
Balance, end of period	\$	361,761	\$ 300,000

Capital Expenditures and Commitments

Kestrel is obligated to make expenditures on the four new properties in order to full fill the terms of the various option agreements. The Company plans to spend approximately \$200,000 on prospecting, soil samples, mapping and trenching these properties in the fourth quarter of fiscal 2017. Kestrel has identified the Val-Jual property as its first priority for exploration expenditures and plans to undertake a drilling program in the fall of 2017.

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:

		June 30 2017	June 30 2016
Short-term benefits	\$	66,500	\$ 8,100

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

At June 30, 2017, \$24,190 (September 30, 2016 - \$174,621) 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.

Outstanding Share Data

The Company began the current fiscal year with 14,815,842 Common Shares outstanding and ended the nine-month period with 51,601,208 common shares outstanding.

As at the close of business on August 28, 2017, the Company had 51,601,208 common shares outstanding.

In addition, Kestrel has 23,098,666 share purchase warrants outstanding, 6,432,000 exercisable at \$0.15 per share until June 21, 2019 and 16,666,666 exercisable at \$0.05 until April 3, 2020 and 4,400,000 stock options exercisable at \$0.05 per share, any time, until April 4, 2022.

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 June 30, 2017, there were 4,150,000 (September 30, 2016 – nil) stock options outstanding with a weighted average exercise price of \$0.05 (September 30, 2016 - \$nil). During the period ended June 30, 2017, nil (September 30, 2016 - 212,500) stock options expired.

Private Placements

During the nine-month period ended June 30, 2017, 14,118,700 common shares were issued to settle amounts owing with respect to debentures and trade payables. During the period, \$455,000 debentures were converted on issuance of 9,100,000 common shares at a price of \$0.05 per common share. The agreement also provided for accrued interest on the debentures to be forgiven and this was recorded as a gain on debt settlement. Trade payables and advances owing of \$250,935 were also settled by issuing 5,018,700 common shares at \$0.05 per share. These debt conversions were non-cash transactions and thus excluded from the cash flow statement.

On April 5, 2017, the Company completed a non-brokered private placement of 16,666,666 units of the Company at a price of \$0.03 per Unit, for gross proceeds of \$500,000. Each unit consists of one common share and one common share purchase warrant, each Warrant entitling the holder to purchase one common share of the Company at a price of \$0.05 per Warrant Share, at any time until April 3, 2020. The Common Shares and Warrants are subject to a statutory four month hold period, which expires August 5, 2017. Finder's fees were paid in cash in the amount of 10% of the gross proceeds in relation to some of the Units sold in the Private Placement.

The proceeds of the private placement will be used to carry out an exploration program on the Company's properties located in the Yukon, to pay for the next six months operating costs, for legal fees and to repay loans, in the amount of \$145,000 made by two of the Company's directors to sustain the Company.

On June 22, 2017, the Company closed a non-brokered private placement of 6,000,000 units of the Company (the "Units") at a price of \$0.10 per Unit, for gross proceeds of \$600,000. Each unit consists of one common share and one common share purchase warrant, each Warrant entitling the holder to purchase one common share of the Company at a price of \$0.15 per Warrant Share, at any time until June 21, 2019. The Common Shares and Warrants are subject to a statutory four month hold period, which expires October 22, 2017. Finder's fees were paid in cash in the amount of 8% of the gross proceeds and in finder's warrants.

The proceeds of the private placement will be to pay finders' fees of \$37,560, for exploration activities in the amount of \$315,000 and up to \$247,440 for general working capital.

Financial Instruments

Overview

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

- (i) Credit risk (see below)
- (ii) Liquidity risk (see next page)
- (iii) Market risk (see next page)

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 June 30, 2017 and September 30, 2016 is summarized as follows:

	June 30, 2017		September 30, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and restricted cash	\$ 617,481	\$ 617,481	\$ 2,511	\$ 2,511
Amounts receivable	\$ 8,941	\$ 8,941	\$ 4	\$ 4

	June 30, 2017		September 30, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities at amortized cost				
Accounts payable and accrued liabilities	\$ 70,394	\$ 70,394	\$ 424,387	\$ 424,387
Liability portion of convertible debentures	\$ -	\$ -	\$ 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 inception of the Company. As of June 30, 2017, the Company had an accumulated deficit of \$13,175,407. 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 June 30, 2017 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 June 30, 2017. 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 June 30, 2017, 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 June 30, 2017 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 audited 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. This claim was settled on March 28, 2017. The Company accrued the law firm's legal fees of \$35,000 and issued 2,000,000 common shares of the Company at a deemed price of \$0.05 per share.

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 and the Company's common shares resumed trading on the TSXV exchange.

Additional Information

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