

Kestrel Gold Inc.

Management's Discussion and Analysis

For the Year Ended September 30, 2018

Corporate Information

Kestrel Gold Inc. ("Kestrel" or the "Company") is a Canadian listed public company with its shares traded on the TSX Venture Exchange under the symbol "KGC". The Company's registered and head office is Suite 208, 110 - 12th Avenue SW, Calgary, Alberta, T2R 0G7.

Kestrel is a resource exploration stage company engaged in the acquisition and exploration of mineral properties. For the funding of property acquisitions and exploration that the Company conducts, the Company depends on the issuance of shares from the treasury to investors and does not use long term debt. Kestrel currently holds exploration properties in Canada, with a focus on the Yukon Territory. For more information, please refer to the Properties sections.

Additional information relating to the Company can be found on SEDAR at www.sedar.com and also on the Company's website at www.kestrelgold.com.

Management Discussion and Analysis

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the audited financial statements of the Company for the year ended September 30, 2018.

The Company's financial statements have been prepared on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company's ability to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. While the Company is extending its best efforts in this regard, the outcome of these matters cannot be predicted at this time. The accompanying audited annual financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

This MD&A has been prepared as of January 10, 2019. All amounts are expressed in Canadian dollars unless otherwise stated.

Forward Looking Information

This MD&A includes some statements that may be considered "forward-looking statements".

All statements in this discussion that address the Company's expectations about future exploration and development are forward-looking statements. Although the Company believes the expectations presented in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploration successes, availability of capital and financing, and general economic, market, and business conditions. Readers are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the 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:

- Kestrel'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 will likely continue to occur in the future;
- Kestrel's ability to raise money in the future to fund its ongoing operations and fulfill its expenditure commitments pursuant to the various option agreements;
- the possibility of delays 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 Kestrel'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;

- 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 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, shareholder and other third-party approvals related to proposed acquisitions.

Basis of Presentation

Basis of Measurement

The audited 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:

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 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 recorded an 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, activity on adjacent properties and the estimates of fair value based on information from market participants.

Going concern

For the year ended September 30, 2018, the Kestrel incurred a net loss of \$616,957, had working capital of \$72,376 and had an accumulated deficit of \$14,093,945. The Company 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 Kestrel's assets or the merger, amalgamation or sale of the Company with or to a larger, better financed entity.

These financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis assumes that Kestrel 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 is not appropriate for these financial statements, then material adjustments would be necessary to the carrying amounts of the assets and liabilities and the reported expenses and balance sheet classifications.

Report on Operations

2018 Highlights

During the year ended September 30, 2018, Kestrel raised additional funds and undertook an exploration program these activities are summarized below:

- Kestrel completed a private placement in two tranches, closing on February 28, 2018 and March 5, 2018, for gross proceeds of \$375,000. The Company issued 7,500,000 units at a price of \$0.05 per unit; each unit was comprised of one common share and one share purchase warrant exercisable at \$0.05 per share for two years.
- The Company made option payments of \$100,000 to Kreft on its Val-Jual, Clear Creek and Dease Lake properties electing not to make the Barney Ridge option payment and return the property to Kreft.
- In addition, to the option payments noted above Kestrel incurred exploration expenditures of \$78,228, the majority of which, \$63,364, was spent at Val-Jual.
- The Company impaired the carrying value of its exploration and evaluation assets by \$317,312 including impairment charges of \$264,900 and \$52,412 at King Solomon Dome, and Barney Ridge respectfully.

Exploration and Evaluation Assets

The Company is required to make option payments of \$140,000 in 2019 to maintain its Val Jual, Clear Creek and Dease Lake properties, payments of \$80,000, \$50,000 and \$10,000 respectfully. Kestrel's properties are described below and in the notes to the financial statements.

King Solomon Dome

On October 31, 2010, the Company entered into an option agreement pursuant to which it acquired the right to earn a 100% interest in the three individual properties located in the Yukon Territory's Klondike Goldfields: King Solomon Mine, Gold Run Creek Property and Dominion Mountain Property, collectively known as the King Solomon Dome Project ("KSD"). Each individual property is subject to a 2.5% net smelter return royalty, one-half of which can be purchased by the Company for \$1,000,000.

Due primarily to the Company's planned future activities on the KSD, as at September 30, 2018, indicators of impairment existed leading to a test of recoverable amount of the KSD, which resulted in an impairment loss of \$264,900.

Val-Jual

On May 2, 2017, the Company entered into an option agreement with Bernie Kreft ("Kreft") to acquire a 100% interest in the Val-Jual property located approximately 70 kilometers southwest of Dawson City, Yukon. The Val-Jual property covers an approximate area of 1,350 hectares within the Dawson Mining Division of the Yukon Territory. The property includes 73 contiguous, un-surveyed mineral titles. The Val Jual property is permitted under a five-year, Class 3 Land Use Permit, until July 5, 2023 which allows for: fuel storage, road and trail building, clearing helicopter pads, drilling sites, trenching, drilling and exploration and soil sampling.

The option agreement requires Kestrel to spend \$500,000 on exploration, drill a minimum of 2,500 metres and make annual cash and common share issuances to Kreft, see the notes to the financial statements for additional details.

Clear Creek

On April 27, 2017, Kestrel entered into an option agreement with Kreft to acquire the Clear Creek property located east of Dawson City, Yukon. The Clear Creek property covers an approximate area of 1,700 hectares within the Dawson Mining Division of the Yukon Territory. The Clear Creek property is permitted under a five-year, Class 3 Land Use Permit, until July 8, 2023 which allows for: fuel storage, road and trail building, clearing helicopter pads, drilling sites, trenching, drilling and exploration and soil sampling.

The option agreement requires the Company to spend \$350,000 on exploration, drill a minimum of 2,500 metres and make annual cash and common share issuances to Kreft. See the notes to the financial statements for additional details.

Dease Lake

During the year ended September 30, 2018, the Company incurred permitting expenses of \$2,400.

Barney Ridge

During the year ended September 30, 2018, the Company elected not to make the 2018 option payment and returned the property to Kreft, resulting in a write-down of the property to nil.

Capital Expenditures

During the year ended September 30, 2018, the Company made net acquisition and exploration expenditures of \$178,228 (2017 - \$447,181). The majority of the expenditures, in the amount of \$123,364 (2017 - \$351,475) were made on the Val Jual property. The Company plans to follow up next year with additional near surface drilling, selective lines of ground-magnetic surveying and trenching, prospecting, mapping and further soil sampling.

Significant expenditures made during the year ended September 30, 2018 included: drilling of Nil (2017 - \$247,000); rock and soil samples of \$72,728 (2017 - \$107,000), option payments of \$100,000 (2017 - \$90,000) and analysis of \$5,500 (2017 - \$36,000).

Operating Segments

The Company 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
September 30, 2018		
Canada	\$ 608,097	\$ 616,957
September 30, 2017		
Canada	\$ 747,181	\$ 609,687

Summary of Quarterly Results

The following is selected financial data from the Company's quarterly financial statements with the most recently completed eight quarters summarized below. For the quarters ended December 31, 2016 and March 31, 2017 the Company was largely inactive and incurred administrative expenses. For the quarter ended June 30, 2017 the net loss increased as a result of stock-based compensation, management fees, investor relations and professional fees. Total assets increased due to the two private placements and total liabilities decreased as a result of the debt settlement agreements. For the quarter ended September 30, 2017 the net loss is a result of increases in management fees, investor relations and professional fees. For the

quarter ended March 31, 2018 the net loss increased as a result of impairment of Barney Ridge and increased spending on investor relations. The increase in total assets and shareholder's equity reflects the closing of the 2018 private placement. For the quarter ended June 30, 2018 the lower net loss is a result of the Company reducing its administrative expenses and management fees and exploration and evaluation assets increased due to annual option payments. For the quarter ended September 30, 2018 the net loss increased and total assets and shareholder's equity together with exploration and evaluation decreased as a result of the impairment charges.

	September 30 2018	June 30 2018	March 31 2018	December 31 2017
	(\$)	(\$)	(\$)	(\$)
Net loss	350,386	36,766	150,041	79,764
Net loss per share	0.01	0.00	0.00	0.00
Total assets	734,165	1,049,466	1,094,642	863,993
Exploration and evaluation assets	608,097	847,734	738,857	781,002
Total liabilities	53,692	18,697	27,107	65,515
Shareholders' Equity (Deficiency)	680,473	1,030,769	1,067,535	798,478

	September 30 2017	June 30 2017	March 31 2017	December 31, 2016
	(\$)	(\$)	(\$)	(\$)
Net loss	609,687	279,085	4,393	33,414
Net loss per share	0.01	0.01	0.00	0.00
Total assets	981,446	988,183	310,356	305,074
Exploration and evaluation assets	747,181	361,761	300,000	300,000
Total liabilities	128,203	70,394	638,425	992,865
Shareholders' Equity/(Deficiency)	853,243	917,789	(328,069)	(687,791)

Overall Financial Performance

Results from Operations and Corporate Updates

As at September 30, 2018, a total of \$0.6 million was held in exploration and evaluation assets (September 30, 2017 - \$0.7 million), the majority of which was invested in the Yukon. The net change for the year reflects expenditures of \$0.2 million offset by impairment charges of \$0.32 million. Total assets decreased to \$0.7 million (September 30, 2017 - \$1.0 million), primarily as a result of impairment charges, as well as a decrease in cash on hand from \$0.2 million to \$0.1 million.

During the year ended September 30, 2018, the Company raised cash of \$0.45 million (2017 - \$1.0 million) from private placements and settled debts owing in the amount of Nil (2017 - \$0.7 million) by issuing common shares. Working capital as at September 30, 2018 was \$0.1 million, as compared to a working capital of \$0.1 million (2017 - \$0.1 million).

Effective July 11, 2018, Patrick Lynch was appointed as a Director and on July 9, 2018 Rob Solinger assumed both the Chief Executive Officer and Chief Financial Officer roles.

Three months ended September 30, 2018 and September 30, 2017

The Company's loss for the three months ended September 30, 2018, was \$0.35 million, up from \$0.3 million for the three months ended September 30, 2017. The majority of the increase for the three months ended September 30, 2018 related to share-based compensation, management fees, investor relations and professional fees.

Year ended September 30, 2018 and September 30, 2017

The Company's loss for the year ended September 30, 2018, was \$0.6 million as compared to \$0.6 million for the year ended September 30, 2017. While the total loss was the same year over year, major differences between the two years were: share-based payments were nil in 2018 as compared to \$0.25 million in 2017 as no options were issued in the current year; impairment charges in 2018 were \$0.32 million in 2018 as compared to nil in 2017 and 2018 professional fees decreased to \$46 thousand as compared to \$90 thousand in 2017 as additional professional fees were incurred in 2017 with respect to reinstating the Company for trading and management and consulting fees increased \$46 thousand.

Summary of Selected Annual Information

	Sept 30, 2018	Sept 30, 2017	Sept 30, 2016
	\$	\$	\$
Total assets	734,165	981,446	304,305
Net loss	616,957	609,687	126,399
Loss per share	0.01	0.02	0.01

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 September 30, 2018, the Company had working capital of \$72,376. 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.

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.

Commitments

Kestrel is obligated to make various payments, issue common shares and incur expenditures on its properties in order to full fill the terms of the various option agreements. These obligations are summarized in the Note 5 to the September 30, 2018 audited financial statements, cash payments totaling \$140,000 are payable in 2019, to maintain the option agreements in good standing, as follows: Val-Jual Ten Mile \$80,000; Clear Creek \$50,000; Dease Lake \$10,000.

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:

	September 30 2018	September 30 2017
Short-term benefits	\$ 126,000	\$ 112,850
Share-based payments	\$ -	\$ 238,297

Short-term benefits are comprised of management fees.

At September 30, 2018, \$13,279 (September 30, 2017 - \$4,763) 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 51,701,208 Common Shares outstanding and ended the year with 61,284,208 common shares outstanding.

As at the close of business on January 10, 2019, the Company had 61,284,208 common shares outstanding.

In addition, Kestrel has 28,671,666 share purchase warrants outstanding: 6,432,000 exercisable at \$0.15 per share until April 3, 2020; 14,483,666 exercisable at \$0.05 until June 21, 2019; 6,156,000 exercisable at \$0.05 until February 27, 2020; 1,600,000 exercisable at \$0.05 until March 4, 2020 and 1,650,000 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 CEO and CFO Mr. Rob Solinger 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 September 30, 2018, there were 1,650,000 (September 30, 2017 – 4,400,000) stock options outstanding with a weighted average exercise price of \$0.05 (September 30, 2017 - \$0.05). During the period ended September 30, 2018, 2,750,000 (September 30, 2017 - nil) stock options expired.

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 below and 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 September 30, 2018 and September 30, 2017 is summarized as follows:

	September 30, 2018		September 30, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and restricted cash	\$ 108,840	\$ 108,840	\$ 207,454	\$ 207,454
Amounts receivable	\$ 17,228	\$ 17,228	\$ 26,811	\$ 26,811
	September 30, 2018		September 30, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities at amortized cost				
Accounts payable and accrued liabilities	\$ 53,692	\$ 53,692	\$ 128,203	\$ 128,203

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.

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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 September 30, 2018, the Company had an accumulated deficit of \$14,093,945. 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 September 30, 2018 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 audited financial statements for year ended September 30, 2018. 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 year ended September 30, 2018, 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 September 30, 2018 audited 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:

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.

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.

Outlook

During the year ended September 30, 2018, Kestrel completed a private placement for gross proceeds of \$375,000, incurred exploration expenditures of \$78,228 and made option payments on its properties of \$100,000. The Company will need to raise additional funds in fiscal 2019 in order to fulfill its obligations under the option agreements and have the working capital to continue operations.