

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A"), dated as at February 16, 2017, is to assist readers in understanding GFG Resources Inc.'s (formerly Crest Petroleum Corp. or "Crest") ("GFG" or the "Company") financial performance for the three and six months ended December 31, 2016. This MD&A should be read in conjunction with the condensed interim financial statements for the six months ended December 31, 2016 and related notes thereto (the "Interim Financial Statements") and the most recent annual financial statements of GFG Resources (US) Inc. ("GFG-US") for the year ended June 30, 2016.

On October 21, 2016, GFG completed its acquisition of 1070900 BC Ltd. ("1070900"), which was accounted for as a reverse acquisition. Prior to the reverse acquisition with 1070900, on August 24, 2016, 1070900 completed its acquisition of GFG-US, this transaction was also accounted for as a reverse acquisition (*see additional discussion below and in Note 4 to the Interim Financial Statements*). As both 1070900 and GFG-US were non-reporting issuers during the six months ended December 31, 2015, there are no comparatives reported for the periods presented.

The Interim Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in U.S. dollars, which is the functional and presentation currency of the Company. Additional information can be found on the Company's website (www.gfgresources.com) or SEDAR (www.sedar.com).

Certain sections of this MD&A may contain forward-looking statements.

All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Readers are cautioned that these statements which describe the Company's plans, objectives, and budgets may differ materially from actual results. See additional discussion under "Risks and Uncertainties" section.

Second Quarter Highlights and Other Significant Events

- January 31, 2017: Announced a CDN\$5.0 million bought deal financing;
- December 13, 2016: Completed the 2016 exploration program;
- December 12, 2016: The Company listed its shares on the OTCQB Marketplace under the symbol GFGSF;
- December 7, 2016: Mr. Arnold Klassen was appointed to the Board of Directors;
- October 26, 2016: The Company began trading on the TSX Venture Exchange;
- October 22, 2016: GFG and Crest Petroleum complete reverse take-over transaction;
- October 12, 2016: Increased land position with IEV land acquisition and staking program; and
- September 9, 2016: Published the NI 43-101 technical report on Rattlesnake Hills Gold Project.

CORPORATE PROFILE

The Company was incorporated on January 24, 2012, under the laws of the Province of British Columbia, Canada. Following the completion of its initial public offering ("IPO") on June 26, 2012, the Company secured designation as a Capital Pool Company ("CPC"), according to the regulations of the TSX Venture Exchange (the "Exchange"). The Company's current corporate structure is primarily a result of the following transactions, both of which occurred during the six months ended December 31, 2016:

- i) On September 2, 2016, the Company entered in to an arrangement agreement to acquire 100% of the issued and outstanding shares of 1070900, in exchange for shares of the Company which would result in a reverse take-over of the Company by the shareholders of 1070900 (the "Transaction").

As 1070900 is deemed to be the accounting acquirer for accounting purposes, its assets, liabilities and operations are included in the financial statements at their historical carrying values.

On October 21, 2016, the Transaction closed and the Company acquired, on a one for one basis, all issued and outstanding shares of 1070900 in exchange for 38,503,483 common shares of the Company.

- ii) On July 5, 2016, 1070900 entered in to an agreement and plan of share exchange with GFG-US to acquire all the issued and outstanding shares of GFG-US in exchange for common shares of 1070900, on a one share for one share equivalent basis. This would result in a reverse take-over of 1070900 by the shareholders of GFG-US (the "Arrangement").

On August, 24, 2016, the Arrangement closed and the shareholders of 1070900 reserved 21,194,612 common shares of 1070900 for all the issued and outstanding shares of GFG-US. Out of 21,194,612 common shares of 1070900, 19,050,419 common shares were issued in exchange for all of GFG-US's issued and outstanding common shares on a one for one basis. In addition to the common shares exchanged, 2,144,193 additional shares were withheld, pending the receipt of clearance certificates from the U.S. Internal Revenue Service. In January 2017, the Company received the clearance to issue 2,144,193 common shares.

The shareholders of 1070900 also issued 875,000 stock options in exchange for all the issued and outstanding stock options of GFG-US.

On October 27, 2016, upon receiving final acceptance from the Exchange, Crest Petroleum Corp. changed its name to GFG Resources Inc. and began trading on the Exchange as a Tier 2 Mining Issuer under the symbol "GFG". Further, on December 12, 2016, the Company announced that it had also started trading on the OTCQB Venture Market in the U.S. under the symbol "GFGSF".

The Company changed its head office address to Suite 202 – 640 Broadway Avenue, Saskatoon, Saskatchewan, S7N 1A9. The Company's principal business activity is the acquisition and exploration of mineral properties.

PROJECT OVERVIEW AND EXPLORATION ACTIVITIES

Rattlesnake Hills Gold Project Overview

The Rattlesnake Hills Gold Project (the "Project") is located in Central Wyoming approximately 100 kilometres southwest of Casper on the western side of Natrona County (*See Figure 1 and 2*). The Project encompasses the Rattlesnake Hills Gold District nearly in its entirety and is considered a district scale gold exploration play comprising 1,281 unpatented lode mining claims as well as seven Wyoming State mining leases covering an area of approximately 33,500 acres. The Project is owned 100% by GFG, although certain portions of the property are subject to various royalty agreements. Over the course of 2015 and 2016, the Project was acquired in four phases including three asset purchase agreements, claim staking, and an option agreement assigned to GFG.

The Project location is close to infrastructure such as paved roads, power and water. Also, the Wyoming business climate is considered productive and would be one of the best places to do business. The Wyoming economy is primarily driven by the mineral resource sector. The State is the leader in coal, uranium, trona and bentonite production in the U.S. Additionally, the State is also a key producer in rare earth minerals, natural gas and oil.

The Project has the geologic setting, alteration and mineralization similar to other gold deposits of the Rocky Mountain alkaline province which, collectively, have produced over 50 million ounces of gold.

Figure 1: Rattlesnake Hills Gold Project Location

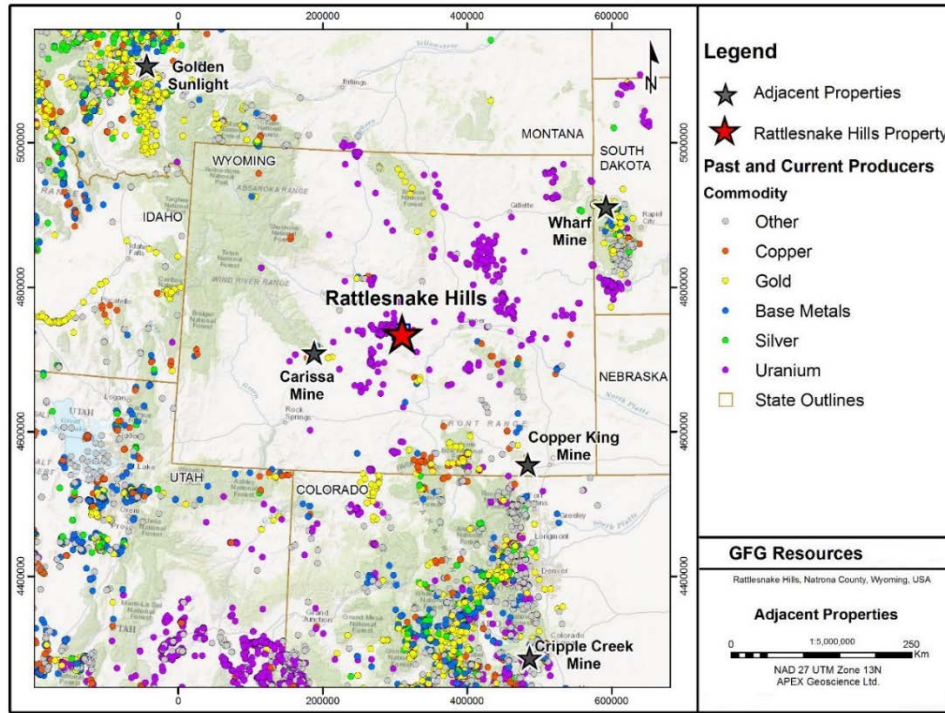
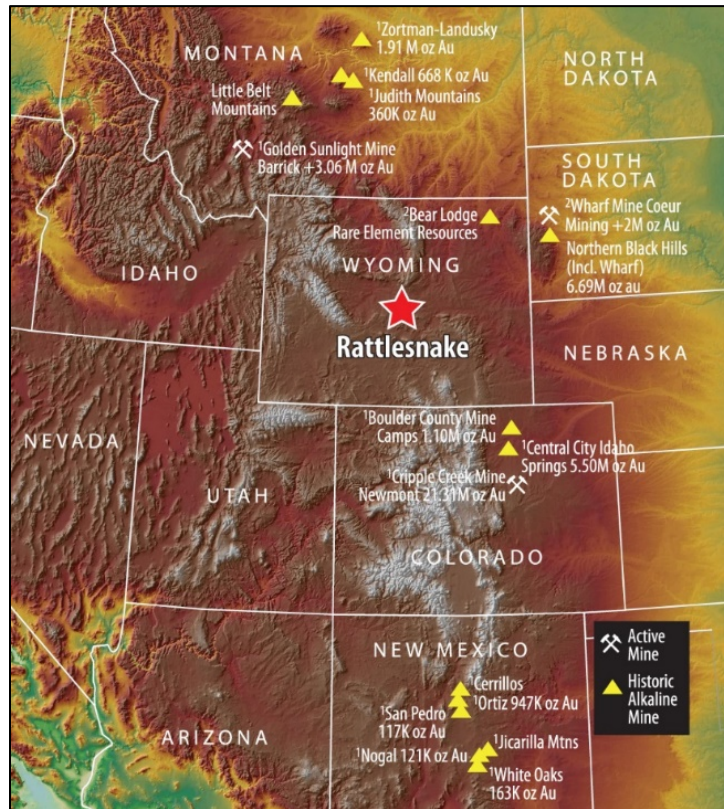


Figure 2: Rattlesnake Hills Gold Project Location Within Rocky Mountain Alkaline Province



The Project is centrally located within a roughly 1,500-kilometre-long belt of alkalic intrusive complexes that occur along the eastern side of the Rocky Mountains from Montana to New Mexico, several of which are associated with multiple 1 million-plus ounce gold deposits. Examples of such deposits analogous to the Project, with transitional epithermal to porphyry styles of precious metal mineralization, include Cripple Creek, CO and Golden Sunlight, MT (Jensen and Barton, 2000).

Table 1: Comparing Similar Deposit Characteristics: Cripple Creek to Rattlesnake Hills District

Characteristic	Cripple Creek	Rattlesnake Hills
Qtz poor alt/mi	✓	✓
Voluminous K & Carb altn	✓	✓
Minor acid altn	✓	✓
Fluorite	✓	✓
Roscoelite	✓	✓
Peripheral propylitic altn	✓	✓
Multiple magmatic events	✓	✓
Multiple hydrothermal events	✓	✓
Lithologic contacts as fluid paths	✓	✓
Te rich minerals	✓	TBD
Tetrahedrite	✓	✓
Sulphosalts	✓	TBD
Structure	✓	✓
High Au/Ag	✓	✓
High Au/base metals	✓	✓

Within the Project, three significant zones of alteration and precious metal (gold and silver) mineralization have been identified that are associated with Eocene age alkalic intrusions at North Stock, Antelope Basin and Blackjack. All three zones have been drilled and broad zones of low grade gold mineralization, as well as narrow discrete zones of high grade gold mineralization have been intersected. A brief description and selected drill highlights of the three zones of mineralization are presented in the tables below.

North Stock

Precious metal mineralization at North Stock is hosted in breccia, phonolite and schist and has been defined by historic drilling in a broad, 100 metre by 300 metre tabular mineralized zone, extending over 500 metres deep. The area between Antelope Basin and North Stock where previous drilling intersected significant gold intervals in broadly spaced holes demonstrate the possible link between the two deposits. Highlights from historic drilling at North Stock include 1.85 grams of gold per tonne over 236.16 metres core length (Hole RSC-007), 1.58 grams of gold per tonne over 216.41 metres core length (Hole RSC-132) and 9.73 grams of gold per tonne over 55.66 metres core length (Hole RSC-020). The system remains open to the north, west and south toward the Antelope Basin deposit.

Table 2: Selected North Stock Drilling Highlights.

Hole	From (m)	To (m)	Length (m)*	Au (g/t)
RSC-003	205.74	240.79	35.05	4.79
RSC-007	108.20	344.36	236.16	1.85
RSC-020	143.26	198.91	55.66	9.73
<i>Including</i>	160.02	176.78	16.76	26.21
<i>Including</i>	170.69	172.21	1.52	122.00
RSC-039	25.91	176.78	150.88	2.08
<i>Including</i>	103.63	106.68	3.05	12.95
RSC-089	83.82	213.36	129.54	2.08
RSC-089	216.41	243.84	27.43	7.85

RSC-089	278.89	286.51	7.62	10.65
<i>Including</i>	228.60	230.12	1.52	82.90
RSC-093	134.11	163.07	28.96	5.21
RSC-122	155.45	228.60	73.15	1.78
RSC-123	83.82	163.07	79.25	1.49
RSC-126	196.60	256.03	59.44	2.58
RSC-130	170.69	205.74	35.05	3.95
RSC-132	112.78	329.18	216.41	1.58
<i>Including</i>	137.16	140.21	3.05	17.96
RSC-135	83.82	160.02	76.20	4.68
<i>Including</i>	144.78	147.83	3.05	45.30
RSC-136	222.50	263.65	41.15	3.10
RSC-141	30.48	172.21	141.73	1.90
RSC-144	91.44	147.83	56.39	2.09
RSC-144	205.74	251.46	45.72	3.23
RSC-145	137.16	192.02	54.86	3.20
RSC-145	204.22	281.94	77.72	4.20
RSC-145	239.27	240.79	1.52	128.00
<i>Including</i>	143.26	147.83	4.57	15.67

*Length (m) is core length

Antelope Basin

The mineralization at Antelope Basin is hosted by a quartz monzodiorite dike and remains open along strike to the northeast as well as the southwest. These possible extensions will be prioritized and tested with future exploration programs. Historic drilling at Antelope Basin demonstrates broad zones of low grade, as well as narrow discrete zones of high grade gold and silver mineralization. Mineralization at Antelope Basin has been defined over an area of 200 metres by 350 metres and to a depth of 200 metres. Highlights from the historic drilling at Antelope Basin include 1.91 grams of gold per tonne over 76.20 metres core length (Hole RSC-042), 1.21 grams of gold per tonne over 97.54 metres core length (Hole RSC-019) and 1.63 grams of gold per tonne over 77.72 metres core length (Hole RSC-078).

Table 3: Selected Antelope Basin Drilling Highlights.

Hole	From (m)	To (m)	Length (m)*	Au (g/t)
RSC-001	169.16	182.88	13.72	2.69
RSC-019	83.82	181.36	97.54	1.21
<i>Including</i>	167.64	169.16	1.52	9.35
RSC-042	147.83	224.03	76.20	1.91
<i>Including</i>	185.93	187.45	1.52	11.80
RSC-045	12.19	48.77	36.58	1.44
RSC-047	97.54	170.69	73.15	1.26
<i>Including</i>	167.64	169.16	1.52	6.71
RSC-051	243.84	280.42	36.58	1.33
RSC-078	173.74	251.46	77.72	1.63
<i>Including</i>	216.41	217.93	1.52	7.48
RSC-087	166.12	204.22	38.10	1.34
RSC-099	77.72	143.26	65.53	1.76
RSC-100	196.60	271.27	74.68	1.21
<i>Including</i>	245.36	246.89	1.53	6.26
RSC-153	143.26	160.02	16.76	2.97
RSC-153	111.25	120.40	9.14	2.28
RSC-153	164.59	195.07	30.48	2.09

RSC-155	134.11	187.45	53.34	1.25
RSC-180	199.64	202.69	3.05	9.30

*Length (m) is core length

Blackjack

Gold mineralization at Blackjack is more typical of a low sulphidation epithermal system and is hosted within a rhyolite breccia emplaced along the North Granite Mountain Fault zone and within the underlying Precambrian granite and gneiss. The Blackjack target has had a limited amount of drilling, eight holes, and highlights include 1.33 grams of gold per tonne over 33.53 metres from surface (Hole NVJ-001) and 0.74 grams of gold per tonne over 13.72 metres core length (Hole NVJ-008). The Blackjack mineralization remains open at depth, down-dip and along strike.

Table 4: Blackjack Drilling Results.

Hole	From (m)	To (m)	Length (m)*	Au (g/t)
NVJ-001	0.00	33.53	33.53	1.33
<i>Including</i>	18.28	19.81	1.53	3.55
NVJ-001	42.67	57.91	15.24	0.55
NVJ-001	97.54	129.54	32.00	0.54
NVJ-002	0.00	4.57	4.57	0.53
NVJ-003	0.00	6.10	6.10	0.67
NVJ-004	0.00	6.10	6.10	0.37
NVJ-005	45.72	48.77	3.05	0.83
NVJ-005	51.82	56.39	4.57	0.79
NVJ-007	111.25	118.87	7.62	1.07
NVJ-008	68.58	82.30	13.72	0.74

*Length (m) is core length

2016 Exploration Program at Rattlesnake Hills Gold Project

In 2016, the Company completed a two-phase exploration approach that included a regional soil geochemical survey, ground-based and airborne geophysical programs over the entire property, geologic and alteration mapping and a 12-hole, 3,500 metre drill program focused at North Stock, Antelope Basin and Blackjack. The cost of the 2016 exploration programs were approximately U.S.\$2.0 million.

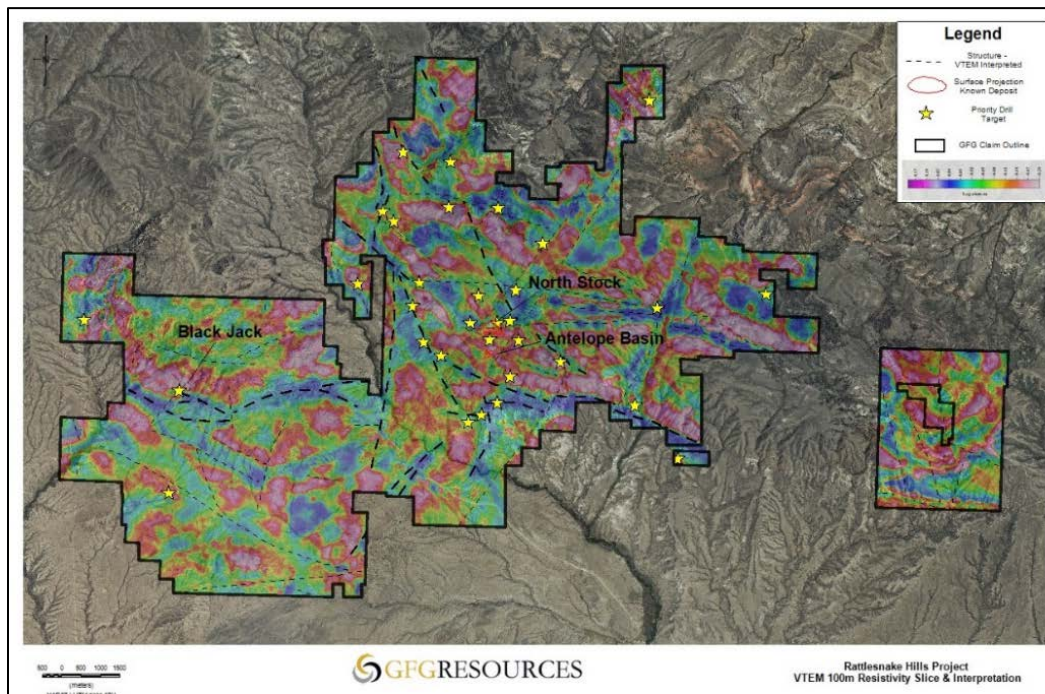
Phase I

The Phase I program consisted of historical data analysis, regional soil sampling, an airborne VTEM geophysical survey, detailed geologic and alteration mapping and an expansion of the existing gravity survey.

Nearly 2,500 soil samples were completed in prioritized areas that extended and expanded the historic soil surveys on the property. The Phase I soil grids were designed to infill areas between existing soils grids and to expand the sampling around the main zones of known mineralization near North Stock, Antelope Basin and Blackjack. Based on the results to date, the soil samples indicate several new target areas that have coincident anomalies in arsenic and low level gold. Anomalous arsenic in soil samples is a key indicator of gold mineralization in the Rattlesnake Hills District.

The Company completed an airborne VTEM and magnetic survey that was flown on 100 metre spaced lines oriented perpendicular to the historic radiometric and magnetic survey completed by Agnico Eagle Mines Ltd. in 2011. The results of this new survey (See Figure 3) have outlined structures and structural intersections that play a key role in controlling gold mineralization at North Stock and Blackjack and their possible extensions. Furthermore, a group of targets on the northern section of the property, three to five kilometres north of North Stock, show similar northeast and northwest-structural controls and have associated alkaline magmatism. The interpretation of the VTEM data will play a key role in understanding the structural framework of the district and prioritizing 2017 drill targets.

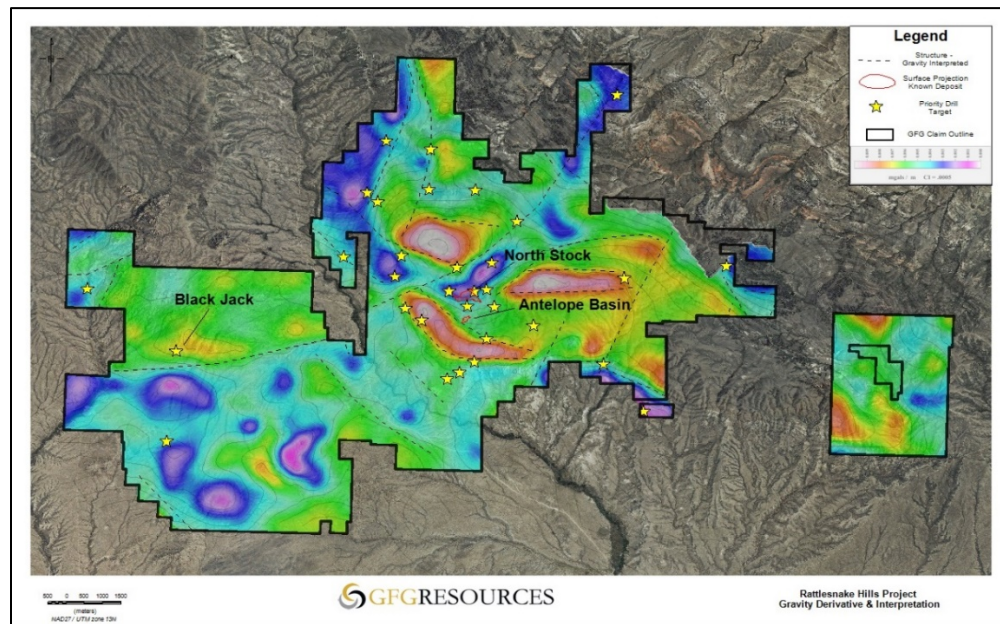
Figure 3: VTEM (100 m) Resistivity Slice & Interpretation – Rattlesnake Hills Gold Project 2016



To gain a better understanding of the structural geology of the Rattlesnake Hills District, geologic and alteration mapping has been completed. Historic structural modelling of the Rattlesnake Hills District is limited and presents an opportunity to better outline and target potential zones of mineralization. Understanding the structural model is important because it will help recognize extensions of mineralization and will be used to develop, prioritize and test anomalies that are generated by the regional geochemical program.

The Company has also supplemented the existing ground gravity data with nearly 500 additional data points. As demonstrated in Figure 4, results have been modeled and outline deep seated structures in the district that may control the emplacement of the alkaline intrusive rocks. Specifically, the gravity low and gravity gradient trend associated with North stock, extends more than two kilometres to the northeast and is associated with mapped zones of adularia alteration and brecciation. The signature also extends to the northwest of North Stock where a strong gravity low and gradient are associated with the Goat Mountain alkaline centre and anomalous gold-arsenic soil geochemistry. The gravity data has allowed the Company to better understand the ore controls around the intrusive centres and, when integrated with other data sets, will drive drill targeting for the 2017 program.

Figure 4: Gravity Derivative & Interpretation Map – Rattlesnake Hills Gold Project 2016



Phase II

During last quarter of 2016, the Company initiated its Phase II program which included additional soil sampling and a drill program focused on direct extensions and proximal analogies at the North Stock and Antelope Basin deposits and the Blackjack target.

Soil sampling consisted of an additional 2,500 samples collected (approximately 5,000 total samples in 2016). These samples were collected over newly-staked ground as well as the recently-acquired IEV ground (See press release dated October 12, 2016: *GFG Resources Increases Rattlesnake Hills Land Package with Acquisition and Staking Program*) and will allow a first-pass regional evaluation of the claim block.

The Company also completed a 12-hole, 3,500 metre drill program that focused on the direct extensions and proximal analogies at the North Stock and Antelope Basin deposits and the Blackjack target. The bulk of the program, nine holes (two core and seven RC), was at the North Stock and Antelope Basin areas and the remaining three holes (one core and two RC) were in the Blackjack area. The results from this program are expected to be received in the first quarter of 2017. In addition to the 2016 drill program, there remain several high priority extensions at North Stock, Antelope Basin and Blackjack that have been permitted and are expected to be tested in 2017.

The drill programs at North Stock and Antelope Basin were designed to test extensions of known mineralization along trends that remain open in multiple directions. A total of three holes in this area were designed to test the area between North Stock and Antelope Basin where historic drilling showed mineralization hosted in Precambrian schist. A total of four holes tested the northwest extension of North Stock and two holes tested the southern strike continuity of mineralization at Antelope Basin. The drill program at Blackjack was designed to follow up on historic shallow drilling that discovered mineralization, to test for mineralization in the large-scale, east-west trending, range front fault and to test the strong soil geochemistry anomaly that extended to the northwest and northeast. A plan view map of the 2016 drill hole locations and historical drill highlights at North Stock and Antelope Basin is presented in Figure 5 and the 2016 drill hole locations, historic drill highlights and gold in soil geochemistry for the Blackjack area is presented in Figure 6.

Figure 5: North Stock and Antelope Basin 2016 Drill Holes and Historic Drill Highlights

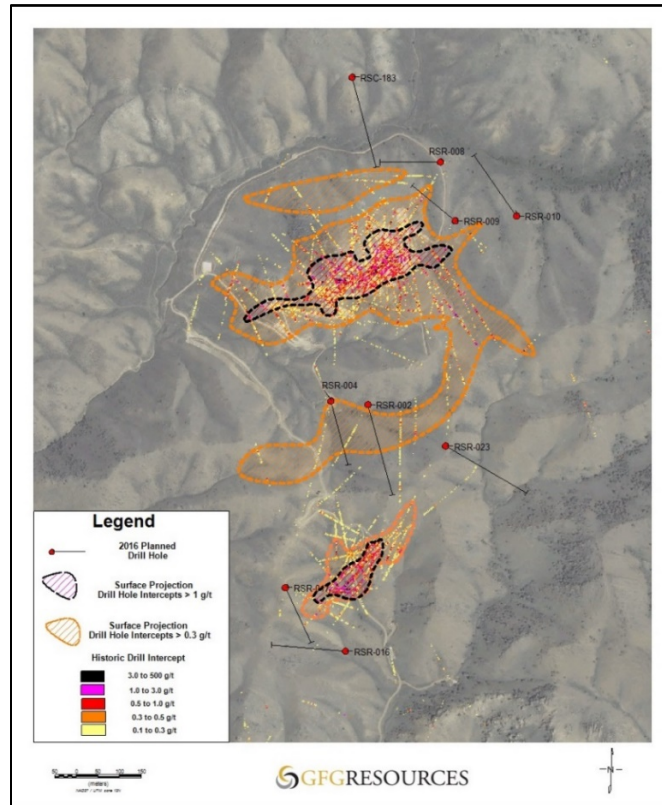
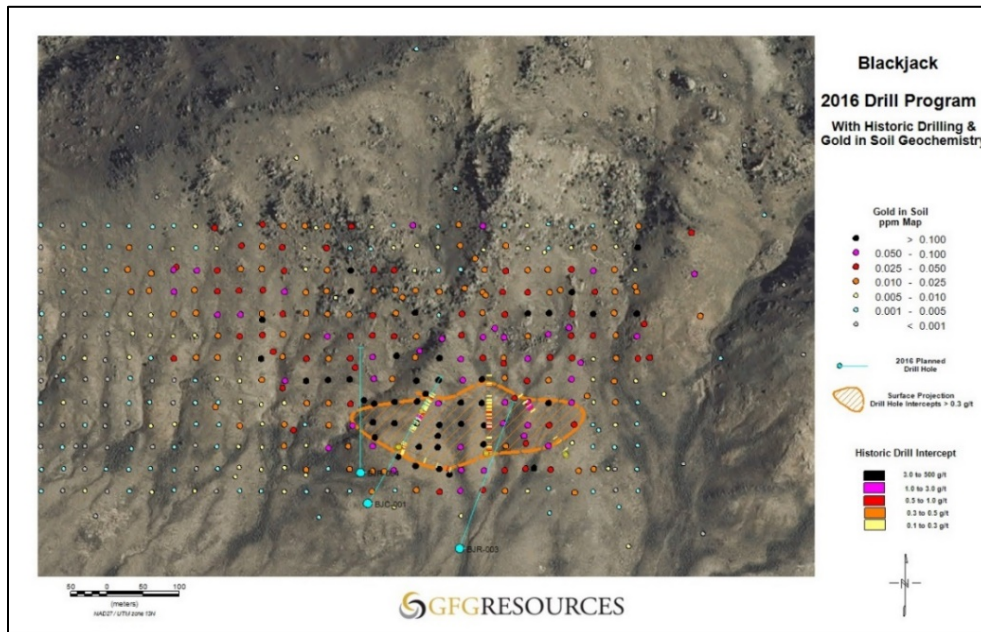


Figure 6: Blackjack 2016 Drill Hole Locations with Historic Drill Highlights and Gold in Soil Geochemistry



Outlook

Over the next several months, the structural data from the VTEM survey, the gravity survey and the field mapping will be integrated with the geochemical data, the historic drill data and the deposit model to generate and prioritize targets for a 2017 drill program. Based on the encouraging results, the Company will continue to take a district scale, multi-disciplinary approach to discover new zones of mineralization at the Project. The pending assay results from the 2016 drill program are expected to be announced in the first quarter of 2017.

In 2017, the Company expects to complete further exploration activities that include further geochemical and geophysical programs, geologic and alteration mapping and an aggressive drill program. The details and cost of the 2017 exploration program are expected to be announced mid-2017. The Company expects to be fully-funded for the 2017 exploration programs based on a combination of its current working capital and recently announced financing (see press release dated January 31, 2017: *GFG Resources Inc. Announces C\$5 Million Bought Deal Financing*).

RESULTS OF OPERATIONS

No Interim Financial Statements were presented for the quarters prior to June 30, 2016, as the Company was not a reporting issuer for the three months and six months ended December 31, 2015; consequently, no comparative information is provided.

For the three months and the six months ended December 31, 2016, the Company incurred a net loss of \$1,848,989 and \$2,198,556, respectively. The net loss relates to expenditures, such as Consulting fees, Investor relation costs, Salaries and benefits, all incurred to operate a public exploration company. For the periods presented, the net loss also includes a \$1,256,566 "listing fee" which is a non-cash adjustment relating to the accounting treatment of the GFG and 1070900 reverse acquisition (see Note 4 to the Interim Financial Statements for further details of the transaction).

Summary of Quarterly Results for the Last Consecutive Two Quarters

Historical quarterly financial information derived from the Company's most recently completed quarters is as follows:

	Three months ended	
	September 30, 2016	December 31, 2016
Net loss	\$(349,567)	\$(1,848,989)
Total assets	\$7,292,757	\$7,323,766

As discussed above the net loss for the three months ended December 31, 2016, includes a \$1,256,566 "listing fee" which is a non-cash adjustment relating to the accounting treatment of the GFG and 1070900 reverse acquisition.

LIQUIDITY AND CAPITAL RESOURCES

The Company has financed its operations to date through the issuance of common shares. The Company continues to seek capital through various means including the issuance of equity. The Company has not pledged any of its assets as security for loans, or otherwise, and is not subject to any debt covenants.

The Company's liquidity and capital resources are as follows:

	December 31, 2016	June 30, 2016
Cash	\$1,906,971	\$910,388
Total current assets	\$1,962,243	\$954,002
Total current liabilities	\$266,993	\$1,068,526
Working capital	\$1,695,250	\$(114,524)

At December, 2016, had cash of \$1,906,971 (June 30, 2016 - \$910,388) and working capital was \$1,695,250 (June 30, 2016 - \$(114,524)). As the Company currently has no source of recurring income or operating cash flow to fund projected levels of exploration activity and associated overhead costs it is dependent upon equity financing. Accordingly, to ensure a cash balance sufficient to fund 2017 exploration opportunities at the Project, as well as administrative costs, subsequent to the balance sheet date, the Company entered into an agreement to issue 4,350,000 common shares at a price of CDN\$1.15 per common share for gross proceeds of approximately CDN\$5.0 million.

	Six months ended December 31, 2016
Cash flow provided by (used in):	
Operating activities	\$(983,471)
Investing activities	\$(1,990,525)
Financing activities	\$3,970,579
Increase in cash	\$996,583
Cash, beginning of year	\$910,388
Cash, end of period	\$1,906,971

Operating Activities

During the six months ended December 31, 2016, the Company's cash flow used in operating activities was \$983,471. This result was due in most part to a net cash loss from operations for the period before changes in non-cash working capital of \$642,490 combined with a \$325,389 reduction in accounts payable and accrued liabilities.

Investing Activities

Cash used in investing activities during the six months ended December 31, 2016, was \$1,990,525. Expenditures were comprised of: the purchase of \$162,100 in reclamation bonds to satisfy Wyoming Department of Environmental Equality requirements; and, exploration expenditures on the Project of \$1,828,425 (\$1,966,342 net of non-cash transactions of \$137,917).

Expenditures for the fiscal period related to an exploration and evaluation asset located in Wyoming, USA are as follows:

	Rattlesnake
	\$
Balance as at June 30, 2016	2,930,933
Additions:	
Acquisition and staking costs	284,305
Exploration expenses	
Claim maintenance fees	201,366
Consulting	120,001
Drilling	533,981
Geological	538,658
Geophysics	42,694
Geochem	122,699
Supplies	122,638
	1,966,342
Balance as at December 31, 2016	4,897,275

Financing Activities

The Company's financing activities during the six months ended December 31, 2016 included: proceeds of \$1,168,300 received from the issuance of common shares; \$3,782,014 of cash received, including net loans receivable from 1070900 of \$818,221; \$205,485 in recapitalized legal costs pursuant to the reverse acquisitions completed during the period (see Note 4 to the Interim Financial Statements); and, repayments of a promissory note payable and advances of \$600,000 and \$150,000, respectively.

SIGNIFICANT EVENTS & TRANSACTIONS SUBSEQUENT TO THE QUARTER END

The following significant events occurred subsequent to quarter end:

- On January 31, 2017, the Company announced that it had entered into an agreement to issue 4,350,000 common shares at a price of CDN\$1.15 per common share for aggregate gross proceeds of approximately CDN\$5.0 million. The Company has also granted the underwriters an option to purchase up to 15% of the number of common shares sold pursuant to the offering, exercisable at any time prior to close. Closing is expected on or around February 22, 2017;
- On February 3, 2017, pursuant to an asset purchase agreement with Endurance Gold Corporation, the Company issued 550,000 common shares having a deemed value of \$0.25 per share or \$137,500.

OFF-BALANCE SHEET TRANSACTIONS

The Company does not have any off-balance sheet arrangements as at December 31, 2016 or as of the date of this report.

CRITICAL JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to Exploration and evaluation asset valuation, share-based transactions, functional currency determination and income tax provisions.

ACCOUNTING STANDARDS AND AMENDMENTS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the six months ended December 31, 2016, and have not been applied in preparing the Interim Financial Statements.

- a) IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company does not expect any effect on its financial statements.
- b) IFRS 16 – Leases: On January 13, 2016, the IASB issued the final version of IFRS 16 Leases. The new standard will replace IAS 17 Leases and is effective for annual periods beginning on or after January 1, 2019, earlier adoption is permitted. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets.

The Company is currently assessing the impact of this new standard on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company's financial statements.

PROPOSED TRANSACTIONS

The Company does not have any proposed transactions that have been approved by the Board of Directors. It continues to review and evaluate potential exploration properties.

RISKS & UNCERTAINTIES

The securities of the Company are highly speculative due to the present stage of the Company's business as well as the nature of the mineral exploration industry in general. The reader is cautioned that the following description of risks and uncertainties is not all-inclusive as it pertains to conditions currently known to management. There can be no guarantee or assurance that other factors will or will not adversely affect the Company.

Risks Inherent to Mining Exploration

The Company is engaged in the business of acquiring and exploring mineral properties in the hope of locating economic deposits of minerals. The Company's property interests are in the exploration stage only and are without a known body of commercial ore. Accordingly, there is little likelihood that any profits will be generated in the short to medium term. Any profitability or cash flow in the future from the Company will be dependent upon locating an economic deposit of minerals. However, there can be no assurance, even if an economic deposit of minerals is located, that it can be commercially mined.

Financing/Dilution

The Company currently has no source of recurring income to fund projected levels of exploration activity and associated overhead costs. The Company is therefore dependent upon equity financing to fund its exploration plans. There can be no assurance that the Company will be able to obtain additional financing in the future on terms acceptable to the Company or at all. The inability to raise further funds through additional equity issuances or by other means, could result in delays or the indefinite postponement of planned exploration or, in certain circumstances, the loss of some or all of its property interests or cessation of all exploration activities. The occurrence of any of these events could have a material adverse effect upon the value of the Company's securities. If additional financing is raised by the issuance of additional common shares, holders of shares previously issued will suffer immediate dilution.

Commodity Prices

The market price of the Company's common shares, its financial results and its exploration activities may in the future be significantly adversely affected by declines in the price of gold.

Environment

Environmental legislation affects nearly all aspects of the Company's operations. Compliance with environmental legislation can require significant expenditures and failure to comply with environmental legislation may result in the imposition of fines and penalties, clean-up costs arising out of contaminated properties, damages and the loss of important permits. There can be no assurances that the Company will be at all times in compliance with all environmental regulations or that steps to achieve compliance would not materially adversely affect the Company. Environmental laws and regulations are evolving in all jurisdictions where the Company has activities. The Company is not able to determine the specific impact that future changes in environmental laws and regulations may have on the Company's operations and activities, and its resulting financial position; however, the Company anticipates that capital expenditures and operating expenses will increase in the future as a result of the implementation of new and increasingly strident environmental regulation. Further changes in environmental laws, new information on existing environmental conditions or other events, including legal proceedings based upon such conditions or an inability to obtain necessary permits, could require increased financial resources or compliance expenditures

or otherwise have a material adverse effect on the Company.

Legal Proceedings

The nature of the Company's business may subject it to numerous regulatory investigations, claims, lawsuits, and other proceedings. The result of these legal proceedings cannot be predicted with certainty. There can be no assurances that these matters will not have a material adverse effect on the Company.

Foreign Currency Risk

The Company has operations in Canada and the United States subject to foreign currency fluctuations. The Company's operating expenses are incurred in Canadian and in United States dollars, and the fluctuation of the Canadian dollar in relation to United States dollar will have an impact upon the cash flows of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity.

Title

Although the Company has exercised due diligence with respect to title to properties in which it has interests, there is no guarantee that title to the properties will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements or transfers or land claims, and title may be affected by undetected defects.

Key Management Personnel

The Company's success depends to a certain degree upon key members for its management. It is expected that these individuals will be a significant factor in the Company's growth and success. The loss of the service of members of the management team or certain key employees could have a material adverse effect on the Company.

Potential Conflicts of Interest

The directors and officers of the Company may serve as directors and/or officers of other public and private companies, and may devote a portion of their time to manage other business interests. This may result in certain conflicts of interest. To the extent that such other companies may participate in ventures in which the Company is also participating, such directors and officers of the Company may have a conflict of interest in negotiating and reaching an agreement with respect to the extent of each company's participation. The laws of British Columbia and Saskatchewan, Canada, require the directors and officers to act honestly, in good faith, and in the best interests of the Company and its shareholders. However, in conflict of interest situations, directors and officers of the Company may owe the same duty to another company and will need to balance the competing obligations and liabilities of their actions.

Substantial Volatility of Share Price

In recent years, the securities markets have experienced a high level of price and volume volatility, and the securities of many junior companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. The price of the Company's common shares is also likely to be significantly affected by short-term changes in mineral prices or in the Company's financial condition or results of operations as reflected in its quarterly financial reports.

Competition

Significant and increasing competition exists for the limited number of mineral property acquisition opportunities available. As a result of this competition, some of which may be with large established mining companies with substantial capabilities and greater financial and technical resources than the Company, the Company may be unable to acquire additional attractive mineral properties on terms it considers acceptable.

FINANCIAL INSTRUMENT RISKS

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

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. The Company's primary exposure to credit risk is on its cash and cash equivalents held in bank accounts. The Company has deposited the cash and cash equivalents with a high credit quality financial institution as determined by rating agencies. The risk of loss is low.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due. Trade payables and accrued liabilities are due within the current operating period and the Company has sufficient cash to settle these current liabilities. As at December 31, 2016, the Company had working capital of \$1,695,250; thus, the liquidity risk is assessed as low.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is not exposed to significant market risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk, from time to time, on its cash balances. Surplus cash, if any, is placed on call with financial institutions and management actively negotiates favorable market related interest rates. The risk of loss is low.

Capital Management

The Company's capital management policy is to maintain a strong, but flexible capital structure that optimizes the cost of capital, creditor and market confidence while sustaining the future development of the business.

DISCLOSURE OF DATA FOR OUTSTANDING COMMON SHARES AND OPTIONS

As at December 31, 2016 and the date of this report, the Company had:

	December 31, 2016	Date of this report
Common shares	43,293,483	43,843,483
Stock options	300,000	300,000

The following table summarizes the options outstanding and exercisable at the date of this report:

Exercise price	Number outstanding and exercisable	Expiry date
US\$0.25	100,000	August 1, 2020
US\$0.25	75,000	January 4, 2021
US\$0.25	125,000	September 1, 2021
	300,000	

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company's Interim Financial Statements and the other financial information included in this management report are the responsibility of the Company's management, and have been examined and approved by the Board of Directors. The financial statements were prepared by management in accordance

with IFRS and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities.

The Board of Directors supervises the financial statements and other financial information through its audit committee, which is comprised of at least a majority of non-management directors.

This committee's role is to examine the financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the audit committee meets annually with the external auditors, with or without the Company's management, to review their respective audit plans and discuss the results of their examination. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

OTHER MD&A REQUIREMENTS

Additional information relating to the Company may be found on the Company's website at www.gfgresources.com and on SEDAR at www.sedar.com.

This MD&A has been approved by the Board on February 16, 2017.