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**KESSELRUN RESOURCES LTD.  
MANAGEMENT'S DISCUSSION AND  
ANALYSIS FOR  
THE THREE MONTHS ENDED  
OCTOBER 31, 2015 & 2014**

## INTRODUCTION

The following Management Discussion and Analysis (“MD&A”) of Kesselrun Resources Ltd. (the “Company” or “Kesselrun”), has been prepared by management, in accordance with the requirements of National Instrument 51-102 as of December 30, 2015, and should be read in conjunction with unaudited condensed interim financial statements for the three months period ended October 31, 2015, and the related notes contained therein which have been prepared under International Financial Reporting Standards (“IFRS”). The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company. The Company is presently a “Venture Issuer” as defined in National Instrument 51-102. Additional information relevant to the Company’s activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company’s website at <http://www.kesselrunresources.com>.

All financial information in this MD&A has been prepared in accordance with IFRS and all dollar amounts are quoted in Canadian dollars, the reporting and functional currency of the Company.

## FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of our management as well as assumptions made by and information currently available to us. When used in this document, the words “*anticipate*”, “*believe*”, “*estimate*”, “*expect*” and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of our exploration properties. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or our achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

## **COMPANY OVERVIEW**

### **Background**

Kesselrun was incorporated on May 18, 2011, under the laws of British Columbia and is a Canadian mineral exploration company based in Thunder Bay, Ontario. The Company's principal focus is its Bluffpoint Property ("Bluffpoint"), covering 4,176 hectares located in Bluffpoint Lake Township, with portions extending into the townships of Lawrence Lake, Napanee Lake and Barker Bay in the Kenora Mining Division of Northwestern Ontario. The Company does not have any assets or mineral properties that are in production.

### **Significant events**

#### Annual General Meeting

Kesselrun's Annual General Meeting ("AGM") was held on December 9, 2015. At the AGM the shareholders of the Company fixed the number of directors of the Company at four and approved Michael Thompson, Caitlin Jeffs, John da Costa and Yanika Silina as the directors of the Company. Other proposed resolutions to approve the Company's 10% rolling Stock Option Plan and appoint Dale Metheson Carr-Hilton LaBonte LLP as the auditors of the Company were also duly passed.

## **BLUFFPOINT PROPERTY**

### **Option Agreement**

On March 31, 2012, the Company entered into Property Option Agreement (the "Option Agreement") with Michael Thompson (the "Initial Optionor") to acquire up to a 100% interest in 56 mining claims covering 11,408 hectares located in Bluffpoint Lake Township, with portions extending into the townships of Lawrence Lake, Napanee Lake and Barker Bay in the Kenora Mining Division of Northwestern Ontario (the "Bluffpoint Property").

The original Option Agreement contained two options. The first option allowed the Company to acquire a 60% undivided interest in the Bluffpoint Property by issuing 4,000,000 common shares and paying the Initial Optionor \$200,000 within a two-year period. The second option allowed the Company to acquire a further 40% interest in the Bluffpoint Property by making an additional payment of \$200,000 and issuing 2,000,000 common shares.

On April 30, 2013, in a private transaction, the Initial Optionor assigned 2/3's of his interest in the Option Agreement to Caitlin Jeffs and Neil Pettigrew (collectively referred to hereafter as the "Optionors").

On April 30, 2013, the Optionors and the Company agreed to amend the Option Agreement reducing the cash payment and share issuance requirements for the Company to earn a 100% interest in the Bluffpoint Property. As per amended Option Agreement, the Company acquired 100% interest in Bluffpoint Property by paying an additional \$200,000 and issuing an additional 2,000,000 common shares to the Optionors.

The Bluffpoint Property is subject to a royalty payable to the optionors equal to a 2.0% Net Smelter Returns ("NSR"), of which 1.0% may be purchased by the Company at any time for the payment of \$1,000,000; leaving the Optionors with a final 1.0% NSR. If the Optionors decide to dispose of the remaining 1.0% NSR, the Company shall have the first right of refusal to acquire that remaining 1% NSR on the same terms and conditions that the Optionors propose to dispose of their NSR. If the Optionors propose to dispose of their NSR, the Optionors shall deliver to the Company written notice of the Optionors' intention to dispose of their NSR and the terms of the proposed disposition.

At October 31, 2015, the Bluffpoint Property consisted of 21 claims, or approximately 4,176 hectares, which presented most geological potential.

### Property Acquisition and Exploration Costs

**Table 1. Property acquisition and exploration costs.**

	<b>October 31, 2015</b>	<b>July 31, 2015</b>
Balance, beginning of period	\$ 240,000	\$ 685,367
Deferred exploration expenditures		
Camp and travel	-	517
Geology	-	7,051
Sub-total, deferred exploration expenditures	-	7,568
Impairment	-	(452,935)
Balance, end of period	\$ 240,000	\$ 240,000

### Property Location and General Description

The Bluffpoint gold project is located close to the centre of the Kenora Mining Division of Northwestern Ontario, approximately 60 km north of Fort Frances, and 80 km southwest of Dryden. The Property is centred on UTM NAD83 Zone 15N 475,448.02 mE, 5,450,971.51 mN.

### Exploration Activities

The Company did not engage in any exploration activities on the Bluffpoint Property during the period covered by this MD&A.

### COMMITMENTS

In order to keep the projects in good standing, the Company is required to complete certain annual exploration activities. The cost of these exploration activities is determined based on the size of the claims within any given project. The Company continuously monitors its projects; and should it decide that the exploration of certain claims within a project is not in Company's best interests at any given year, the Company retains the right to drop such claims.

### QUALIFIED PERSON

Michael Thompson, P. Geo., President & CEO of Kesselrun, is the Qualified Person responsible for the Bluffpoint gold project as defined by National Instrument 43-101 and has approved the technical information contained herein.

## SELECTED FINANCIAL INFORMATION

**Table 2. Comparison of financial condition**

	<b>Three months ended October 31, 2015</b>	<b>Year ended July 31, 2015</b>
Working capital	\$ 100,113	\$ 134,510
Current assets	\$ 111,156	\$ 147,319
Exploration and evaluation assets	\$ 240,000	\$ 240,000
Debentures receivable	\$ 1	\$ 1
Total liabilities	\$ 11,043	\$ 12,809
Share capital and share-based payment reserve	\$ 4,544,429	\$ 4,544,545
Deficit	\$ 4,204,315	\$ 4,170,034

## RESULTS OF OPERATIONS

The Company reported losses of \$34,281 and \$40,527 for the three months ended October 31, 2015 and 2014, respectively.

During the three months ended October 31, 2015, the Company kept its operations at a low level. The Company incurred \$21,000 in consulting fees, \$6,000 in administrative fees and \$4,140 in accounting and audit fees. In addition, the Company recorded \$1,993 in filing and regulatory fees. All other operating expenses were kept at a minimum.

During the three months ended October 31, 2014, the Company incurred \$21,000 in consulting fees. Administrative accounting and audit fees amounted to \$12,000 in total. In addition, the Company recorded \$3,150 in project investigation costs and \$2,956 in filing and regulatory fees. All other operating expenses were kept at a minimum as a result of the Company's effort to control its overhead costs.

## Summary of Quarterly Results

Results for the most recently completed financial quarters are summarized in the tables below:

**Table 3. Summary of quarterly results**

	<b>October 31, 2015</b>	<b>July 31, 2015</b>	<b>April 30, 2015</b>	<b>January 31, 2015</b>
<b>Net Income (Loss)</b>	\$ (34,281)	\$ (501,442)	\$ (61,554)	\$ (20,002)
<b>Loss per Share</b>	\$ 0.00	\$ 0.02	\$ 0.00	\$ 0.00
<b>Exploration and Evaluation Assets</b>	\$ 240,000	\$ 240,000	\$ 692,035	\$ 692,035
<b>Total Assets</b>	\$ 351,157	\$ 387,320	\$ 880,647	\$ 959,498
<b>Working Capital</b>	\$ 100,113	\$ 134,510	\$ 180,136	\$ 230,856

	<b>October 31, 2014</b>	<b>July 31, 2014</b>	<b>April 30, 2014</b>	<b>January 31, 2014</b>
<b>Net Income (Loss)</b>	\$ (40,527)	\$ (2,555,810)	\$ (57,273)	\$ 2,615
<b>Loss per Share</b>	\$ 0.00	\$ 0.10	\$ 0.00	\$ 0.00
<b>Exploration and Evaluation Assets</b>	\$ 689,020	\$ 685,368	\$ 3,297,319	\$ 3,290,688
<b>Total Assets</b>	\$ 958,701	\$ 1,001,390	\$ 3,648,493	\$ 3,712,491
<b>Working Capital</b>	\$ 253,873	\$ 298,053	\$ 338,339	\$ 402,662

## Liquidity and Capital Resources

As at October 31, 2015, the Company had \$96,185 (July 31, 2015 - \$135,558) in cash, current assets of \$111,156 (July 31, 2015 - \$147,319), and current liabilities of \$11,043 (July 31, 2015 - \$12,809) with working capital of \$100,113 (July 31, 2015 - \$134,510). Other current assets consisted of GST receivable totalling \$2,090 (July 31, 2015 - \$1,761) and \$12,881 in prepaid expenses (July 31, 2015 - \$10,000).

The Company has to rely upon the sale of equity securities, primarily through private placements for cash, for exploration and acquisitions of mineral claims, and general operating activities.

The Company has not pledged any of its assets as security for loans, or otherwise is not subject to any debt covenants. Based on current information, the Company anticipates that its working capital is sufficient to meet its expected ongoing obligations for the coming year.

## Transactions with Related Parties

During the three month period ended October 31, 2015 and 2014, the Company had the following transactions with related parties:

**Table 4. Related Party Transactions**

	Three months ended October 31,	
	2015	2014
Fladgate Exploration Consulting Corporation (the "Fladgate"), for exploration and evaluation expenditures <sup>(1)</sup>	\$ -	\$ 6,803
Da Costa Management Corp., for accounting, consulting, and administrative services <sup>(2)</sup>	\$ 18,000	\$ 18,000

<sup>(1)</sup> Fladgate is a full service geological consulting company with over 30 employees/contractors, which conducts all mineral exploration activities on behalf of the Company. Fladgate invoices the Company periodically when exploration is active at competitive industry standard rates. Fladgate is part owned by Michael Thompson, Chief Executive Officer and a Director of Kesselrun and Caitlin Jeffs, a director of Kesselrun, each owning 33.33% of Fladgate.

<sup>(2)</sup> Da Costa Management Corp. is a private company owned by John da Costa, the Chief Financial Officer and a Director of Kesselrun.

Amounts due to related parties are unsecured, non-interest bearing and due on demand. At October 31, 2015, \$3 was due to related parties (July 31, 2015 - \$70).

## Outstanding Share Data

As at the date of this MD&A, the following securities were outstanding:

**Table 5. Share Data**

Type	Amount	Conditions
Common shares	24,835,750	Issued and outstanding
Stock options	160,000	Exercisable into 160,000 common shares at a price of \$0.10 per share until December 7, 2016
Stock options	890,000	Exercisable into 890,000 common shares at a price of \$0.10 per share until July 18, 2017
Stock options	250,000	Exercisable into 250,000 common shares at a price of \$0.60 per share until December 5, 2017
Stock options	700,000	Exercisable into 700,000 common shares at a price of \$0.05 per share until March 26, 2020. Of this number, options to acquire up to 100,000 common shares have not yet vested
	26,835,750	Total shares outstanding (fully diluted)

## Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

## SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies adopted by the Company have been described in the notes to the audited financial statements for the year ended July 31, 2015.

### New accounting standards and interpretations

Certain new accounting standards and interpretations have been published, however, are not mandatory for the October 31, 2015 reporting period. The management of the Company believes that these standards and interpretations will have no material impact on Kesselrun's financial statements.

## RISKS AND UNCERTAINTIES

*Our exploration programs may not result in a commercial mining operation.*

Mineral exploration involves significant risk because few properties that are explored contain bodies of ore that would be commercially economic to develop into producing mines. Our mineral claims are without a known body of commercial ore and our exploration programs are an exploratory search for ore. We do not know whether our exploration programs will result in any commercial mining operation. If the exploration programs do not result in the discovery of commercial ore, we will be required to acquire additional properties and write-off all of our investments in our existing claims.

*We may not have sufficient funds to complete further exploration programs.*

We have limited financial resources, do not generate operating revenue and must finance our exploration activity by other means. We do not know whether additional funding will be available for further exploration of our projects or to fulfill our anticipated obligations under certain regulatory requirements. If we fail to obtain additional financing, we will have to delay or cancel further exploration of our properties, and we could lose all of our interest in our claims.

The determination of whether our mineral deposits are economic is affected by numerous factors beyond our control. These factors include market fluctuations for precious metals; metallurgical recoveries associated with the mineralization; the proximity and capacity of natural resource markets and processing equipment; costs of access and surface rights; and government regulations governing prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection.

*We have no revenue from operations and no ongoing mining operations of any kind.*

We are a mineral exploration company and have no revenues from operations and no ongoing mining operations of any kind. If our future exploration programs successfully locate an economic ore body, we will be subject to additional risks associated with mining.

We will require additional funds to place the ore body into commercial production. Substantial expenditures will be required to establish ore reserves through drilling, develop metallurgical processes to extract the metals from the ore and construct the mining and processing facilities at any site chosen for mining. We do not know whether additional financing will be available at all or on acceptable terms. If additional financing is not available, we may have to postpone the development of, or sell, our Bluffpoint Property.

*Mineral exploration is highly speculative and risky; any material changes to the estimated reserves might adversely affect the profitability of the property.*

In making determinations about whether to proceed to the next stage of development, we must rely upon estimated calculations as to the mineral reserves and grades of mineralization on our properties. Until ore is actually mined and processed, mineral reserves and grades of mineralization must be considered as estimates only. Any material changes in mineral reserve estimates and grades of mineralization will affect the economic viability of the placing of a property into production and a property's return on capital.

*Mineral exploration is hazardous. We could incur liability or damages as we conduct our business due to the dangers inherent in mineral exploration.*

Mining operations often encounter unpredictable risks and hazards that add expense or cause delay. These include unusual or unexpected geological formations, changes in metallurgical processing requirements; power outages, labor disruptions, flooding, explosions, rock bursts, cave-ins, landslides and inability to obtain suitable or adequate machinery, equipment or labor. We may become subject to liabilities in connection with pollution, cave-ins or hazards against which we cannot insure against or which we may elect not to insure. The payment of these liabilities could require the use of financial resources that would otherwise be spent on mining operations.

*In the future we may be required to comply with government regulations affecting mineral exploration and exploitation, which could adversely affect our business, the results of our operations and our financial condition.*

Mining operations and exploration activities are subject to national and local laws and regulations governing prospecting, development, mining and production, exports and taxes, labor standards, occupational health and

mine safety, waste disposal, toxic substances, land use and environmental protection. In order to comply, we may be required to make capital and operating expenditures or to close an operation until a particular problem is remedied. In addition, if our activities violate any such laws and regulations, we may be required to compensate those suffering loss or damage, and may be fined if convicted of an offence under such legislation.

*Land reclamation requirements for our exploration properties may be burdensome.*

Although variable depending on location and the governing authority, land reclamation requirements are generally imposed on mineral exploration companies (as well as companies with mining operations) in order to minimize long term effects of land disturbance. Reclamation may include requirements to control dispersion of potentially deleterious effluents and reasonably re-establish pre-disturbance land forms and vegetation. In order to carry out reclamation obligations imposed on us in connection with our mineral exploration, we must allocate financial resources that might otherwise be spent on further exploration programs.

*We face industry competition in the acquisition of exploration properties and the recruitment and retention of qualified personnel.*

We compete with other exploration companies, many of which have greater financial resources than us or are further along in their development, for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel. If we require and are unsuccessful in acquiring additional mineral properties or personnel, we will not be able to grow at the rate we desire or at all.

*Some of our directors and officers have conflicts of interest as a result of their involvement with other natural resource companies.*

Some of our directors and officers are directors or officers of other natural resource or mining-related companies. These associations may give rise to conflicts of interest from time to time. In particular, our directors who also serve as directors of other companies in the same industry may be presented with business opportunities which are made available to such competing companies and not to us. As a result of these conflicts of interest, we may miss the opportunity to participate in certain transactions, which may have a material, adverse effect on our financial position.

## **Financial Instruments**

### **Fair value**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair value of cash is measured based on level 1 inputs of the fair value hierarchy.

The estimated fair value of financial liabilities approximates their carrying values due to the short-term nature of these instruments.

## **Capital management**

The Company manages its capital to safeguard the Company's ability to continue as a going concern, to ensure future benefits to stakeholders, and to have sufficient funds on hand for business opportunities as they arise.

The Company considers the items included in share capital as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through short-term prospectuses, private placements, sell assets, incur debt, or return capital to shareholders. As at the date of the filing of this MD&A, the Company does not have any debt that is subject to externally imposed capital requirements.

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, and market risk. Where material, these risks are reviewed and monitored by the Board of Directors.

### a) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can only do so at excessive cost. The Company maintains sufficient cash balances to meet current working capital requirements. The Company is considered to be in the exploration and evaluation stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration and evaluation programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash is invested in business accounts with quality financial institutions, is available on demand for the Company's programs, and is not invested in any asset backed commercial paper.

### b) Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash, other assets and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and other assets with high-credit quality financial institutions.

### c) Market risk

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

#### i. Currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company is not exposed to foreign currency risk.

#### ii. Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash. In order to maintain liquidity the Company plans to invest its cash at floating rates of interest in cash

equivalents. There is a minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash, restricted cash and reclamation bond as they are generally held with large financial institutions.

iii. Price risk

The Company is exposed to price risk with respect to commodity and equity prices. The ability of the Company to explore its mineral properties and future profitability of the Company are directly related to the market price of commodities. The Company monitors commodity prices to determine appropriate actions to be undertaken.

## **CONTINGENCIES**

There are no contingent liabilities.

## **DIRECTORS AND OFFICERS**

As of the date of this report, the Company has the following directors and officers:

Michael Thompson, P.Geog - *Director, President and CEO*

John da Costa - *Director, CFO*

Caitlin Jeffs, P.Geog – *Director*

Yanika Silina, CPA, CMA – *Director*

## **ADDITIONAL INFORMATION**

Additional information concerning the Company and its operations is available on SEDAR at [www.sedar.com](http://www.sedar.com).