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TSX-V: KES

**KESSELRUN RESOURCES LTD.  
MANAGEMENT DISCUSSION AND  
ANALYSIS FOR  
THE YEAR ENDED JULY 31, 2019**

## 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 November 28, 2019, and should be read in conjunction with audited financial statements for the year ended July 31, 2019, 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, unless specifically noted.

## FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of the Company’s management as well as assumptions made by and information currently available to the management. When used in this document, the words “*anticipate*”, “*believe*”, “*estimate*”, “*expect*” and similar expressions, as they relate to the Company or its 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 the Company’s exploration properties. Such statements reflect the current views of the management with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or the Company’s 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 is a Canadian mineral exploration company based in Thunder Bay, Ontario. The Company’s principal focus is its Bluffpoint property (“Bluffpoint”), comprising of 122 mining claims covering approximately 8,890 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, and its Huronian Property, covering 153 contiguous unpatented mining claims totaling approximately 4,800 hectares, plus four patented mining claims totaling approximately 404.3 hectares located in Moss Township, Thunder Bay Mining Division, Ontario. The Company does not have any assets or mineral properties that are in production.

The Company was incorporated on May 18, 2011, pursuant to the Business Corporations Act, British Columbia, and was a capital pool company (“CPC”) under the TSX Venture Exchange (“TSX-V”) Policy 2.4. On July 18, 2012, the Company completed its qualifying transaction by entering into a property option agreement to acquire 100% interest in Bluffpoint property and changing its name to “Kesselrun Resources Ltd.”

## EXPLORATION PROJECTS

As of the date of this MD&A the Company's interest in exploration and evaluation assets consists of the Bluffpoint Property and the Huronian Property (Figure 1).

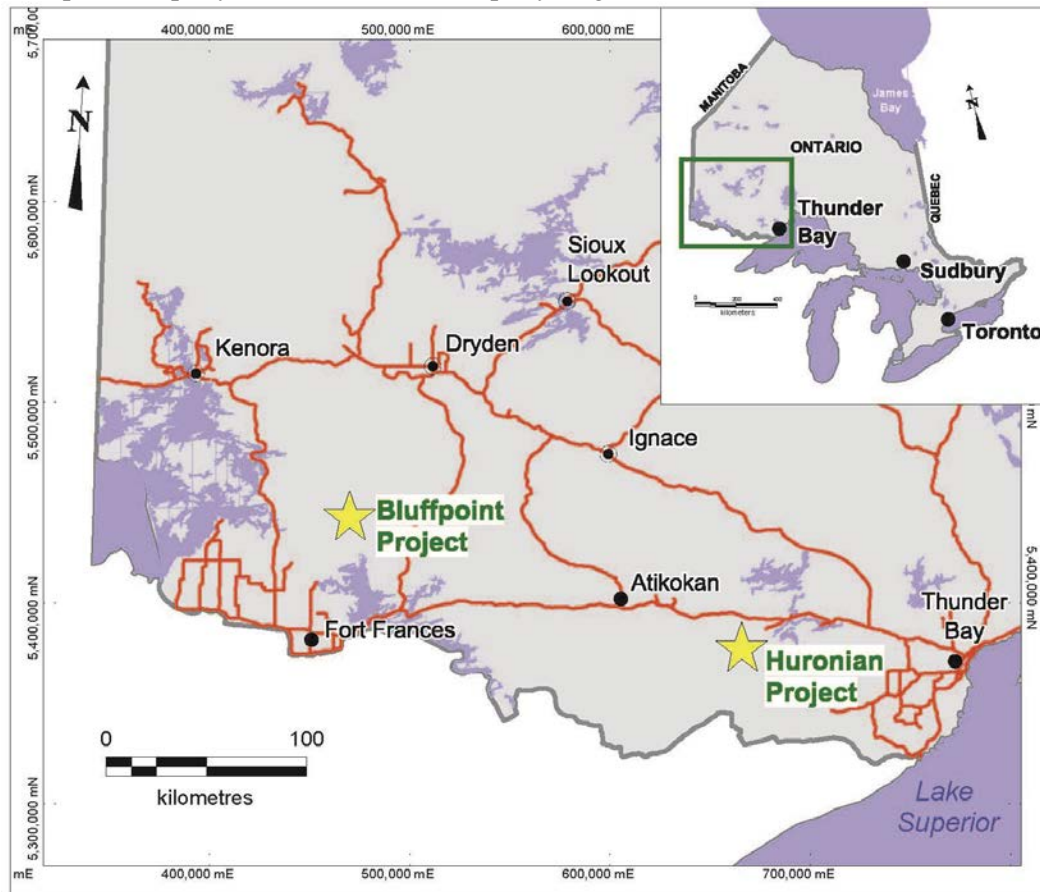


Figure 1. Project Locations

## 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 was granted an exclusive right to acquire 100% interest in Bluffpoint Property by paying an additional \$200,000 and issuing an additional 2,000,000 common shares to the Optionors. The option was exercised on September 24, 2013, upon receiving an approval from TSX Venture Exchange.

The Bluffpoint Property is subject to a net smelter returns royalty (the "NSR") payable to the Optionors equal to a 2.0% 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.

The Company shall have thirty days from receipt of such disposal notice to notify the Optionors in writing that the Company intends to exercise its option and acquire the Optionors' NSR. If the Company has duly exercised its option to acquire the NSR from the Optionors, the Company shall then have sixty days to deliver to the Optionors the full payment price for the NSR.

During Fiscal 2013, the Company staked an additional 47 mining claims covering 11,104 hectares adjacent and contiguous to the original Bluffpoint Property. Certain claims fell within the area of interest provisions of the Option Agreement and, as such, were added to the Bluffpoint Property claims and became subject to the terms of the Option Agreement.

During Fiscal 2019, the Company acquired an additional 96 units, approximately 3,210 hectares in size, bringing the total size of the Bluffpoint Project to 8,890 hectares. The new claims were acquired in the names of Michael Thompson, the CEO of the Company, and Caitlin Jeffs, a director of the Company, who are holding these claims for the benefit of the Company

As part of the maintenance of the Bluffpoint Property, the Company may stake additional claims adjacent to its Bluffpoint Property, or allow some of the claims, with least geological potential not warranting further development, to expire.

### Property Acquisition and Exploration Costs

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

	<b>July 31, 2019</b>	<b>July 31, 2018</b>
Balance, beginning	\$ 653,415	\$ 653,415
Acquisition costs during the period	5,760	-
Deferred exploration expenditures:		
Claim maintenance	378	-
Balance, ending	\$ 659,553	\$ 653,415

## Property Location and General Description

The Bluffpoint Property 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 entered on UTM NAD83 Zone 15N 475,448.02 mE, 5,450,971.51 mN.

The Company holds the centre of the Straw Lake stratigraphy, host to the former producing Straw Lake Beach Mine located approximately 200 metres south of the claim group. The Straw Lake Beach Mine produced 11,568 oz gold and 1,040 oz silver from 33,662 tons of ore (0.34 oz/ton Au) from 1938 to 1941 (Ontario Ministry of Northern Development and Mines production data). In addition, it is located approximately 50 km northeast of, and on the same structural trend as, New Gold Inc.'s (TSX:NGD) Rainy River Mine which, according to New Gold's October 19, 2017, news release achieved commercial production.

## Exploration Activities

In July 2016 the Company announced the start of its field program on the Bluffpoint Property. The Company mobilized field crews with work concentrating on three main areas, Southern Target, Straw Lake Target, and Northern Target. The work consisted mainly of mapping, prospecting and outcrop stripping. The field program was completed in November 2016, with structural and alteration mapping ongoing. Significant grab sample results are summarized in the table below:

**Table 2: Summary of Significant Grab Sample Results <sup>(1)</sup>**

Sample ID	Au (g/t)	Easting (mE)	Northing (mN)
329016	55.31	471644	5449055
329113	26.40	471738	5449089
329706	23.88	472313	5449274
329341	9.91	471819	5448948
329488	9.15	471500	5449352
329707	3.24	472290	5449354
329054	3.51	470353	5446261
329473	2.54	472305	5449352
329115	1.97	471730	5449100
329017	1.95	471655	5449058
329704	1.94	472613	5449699
329451	1.56	475439	5450561
329408	1.51	472212	5449413

*(1) Grab samples are selectively taken and random in size and may not be representative of mineralization characteristics*

During its fiscal 2017, the Company continued surface exploration on Bluffpoint Property, which continued to yield encouraging results. Surface channel sampling results received included 5.2 g/t gold over a composite sample length of 3.2 metres and 0.9 g/t gold over a composite sample length of 8.7 metres. These sample results are from a zone of gold mineralization located approximately 3 kilometres north of the zone trenched and drilled in 2012-2013.



**Table 3: Summary of Significant Channel Sample Results – Bluffpoint Property<sup>(1)</sup>**

Channel ID	Zone	Weighted Grade Au (g/t)	Length (m)
<b>F18</b>	F	5.2	3.2
<b>F19</b>	F	1.0	4.0
<b>F20</b>	F	6.4	0.6
<b>F21</b>	F	1.1	2.1
<b>Q2</b>	Q	0.9	8.7

(1) Contiguous sampling lengths are dictated by the exposure of rock available to sample and not necessarily the width of the zone. Channel samples are cut as close to perpendicular to the strike of mineralization as possible but are not representative of true width of the zone.

## HURONIAN PROPERTY

On June 28, 2016, the Company entered into a purchase agreement to acquire a 100% interest in the Huronian Gold Project (the “Huronian Property”) from Chalice Gold Mines Limited and its wholly owned subsidiary, Coventry Resources Ontario Inc., and Pele Mountain Resources Inc. and its wholly-owned subsidiary, Pele Gold Corporation (the “Vendors”). In consideration for the purchase, the Company issued the Vendors 4,000,000 common shares.

The Huronian Project consists of 153 contiguous unpatented mining claims totaling approximately 4,640 hectares, plus 4 patented mining claims totaling approximately 404.3 hectares located in Moss Township, Thunder Bay Mining Division, Ontario.

Huronian Project is subject to net smelter return royalties (“NSR”) as detailed in the table below:

**Table 4. Huronian Property - NSR**

Township/Area	Claim Type	Claims	Area (ha)	Total NSR
Moss	Unpatented	96	3,520.0	2.0%
Moss	Unpatented	57	1,120.0	2.5%
Moss	Patented	2	274.8	2.0%
Moss	Patented	2	129.5	2.5%
<b>Total</b>		157	5,044.3	

The Company retains a right to purchase up to 50% of the NSR by paying the Vendors up to \$2,000,000. In addition, the Company retains a right of first refusal to acquire the NSR at the same terms and prices that would be set out in any arm’s length third party offer.

On February 15, 2017, the Company entered into a purchase agreement with an arms-length party to acquire a 100% interest in a key mining claim adjacent to the Huronian Property. In consideration for the purchase, the Company issued 200,000 shares of the Company’s common stock and made a one-time payment of \$20,000. The claim was added to the Huronian Property.

## Property Acquisition and Exploration Costs

**Table 5. Huronian Property acquisition and exploration costs**

	July 31, 2019	July 31, 2018
Balance, beginning	\$ 1,821,551	\$ 1,435,001
Deferred exploration expenditures		
Assaying	-	9,773
Camp and travel	-	36,525
Claim maintenance	2,000	1,617
Equipment	-	156,935
Geology	1,574	181,700
Sub-total, deferred exploration expenditures	-	386,550
Balance, ending	\$ 1,825,125	\$ 1,821,551

## Property Location and General Description

The Huronian Property is situated in the highly prolific Shebandowan Greenstone Belt located in the Abitibi-Wawa Subprovince approximately 100 km west of Thunder Bay, Ontario along major transportation and power routes. The Huronian Property hosts numerous significant gold zones including the past producing Huronian Mine (also formerly known as the Jackfish, Kerry, Moss and Ardeen at various times) that produced 29,629 ounces gold and 170,463 ounces silver from 143,724 tons from 1932-1936 (Ontario Ministry of Northern Development and Mines Production Records). The Huronian Property also covers the southwest strike extension of the geology that hosts Wesdome Gold Mine's Moss Lake Gold Deposit. The Moss Lake Gold Deposit hosts an NI 43-101 compliant resource estimate of 40 million tonnes at a grade of 1.1 g Au/tonne (1,377,300 Oz Au) Indicated and an additional 50 million tonnes at a grade of 1.1 g Au/tonne (1,751,600 Oz Au) Inferred (Moss Lake Gold Mines NR February 20, 2013).

## Exploration Activities

In September 2016 the Company commenced its field program on the Huronian Property. The program consisted mainly of mapping, prospecting and outcrop stripping. The field program was completed in November 2016, with structural and alteration mapping ongoing. The main focus of the field program was on the Moss SW zone, an interpreted extension of the geology that hosts the Moss Lake Gold Deposit located approximately 1.5 kilometres from the Huronian Property's boundary. Significant grab sample results are summarized below:

**Table 6: Summary of Significant Grab Sample Results<sup>(1)</sup>**

Sample ID	Au (g/t)	Ag (g/t)	Easting (mE)	Northing (mN)
330689	6.87	51	663051	5374683
330691	6.11	38	663055	5374684
330687	5.81	3	662654	5374186
330688	5.71	32	663048	5374682
330659	5.10	23	663035	5374688
330658	2.21	9	663035	5374688
330657	2.17	5	663057	5374789
330711	1.76	1	663068	5374719
330673	1.69	9	663044	5374688
330669	1.27	4	661656	5378027

(1) Grab samples are selectively taken and random in size and may not be representative of mineralization characteristics

Following the field program, the Company initiated an extensive multi-disciplinary program. The program consisted of ongoing prospecting, and structural mapping guided by an unmanned aerial vehicle (“UAV”) magnetic gradiometry survey over the target area.

The results of the UAV magnetic survey have led to a new interpretation of the location of the Huronian Shear Zone which differs from previous operators. The Company’s team of geologists believes that previous operators’ interpreted extent of the Huronian Shear Zone was just one of numerous splays off the main shear zone, which suggests that the strike extent of the past producing Huronian Mine geology has been untested.

The UAV Magnetic Survey was performed as part of Callum Walter’s M.A.Sc. research at Queen’s University’s Department of Geological Sciences and Geological Engineering in conjunction with industry research partner Sumac Geomatics Inc. of Thunder Bay. Callum’s research focuses on designing and optimizing 3-D magnetic gradiometry surveys for UAV platforms.

Significant grab sample results of the prospecting and structural mapping on the newly interpreted extension of the Huronian Shear Zone are summarized below:

**Table 7: Summary of Significant Grab Sample Results – Huronian Property<sup>(1)</sup>**

Sample ID	Easting (mE)	Northing (mN)	Au (g/t)
585461	664677	5379283	15.7
330620	666682	5381254	5.7
330646	662932	5376219	2.0
330669	661656	5378027	1.3
330625	664144	5378429	1.0
330680	663090	5377173	0.8
330524	663707	5378457	0.5

(1) Grab samples are selectively taken and random in size and may not be representative of mineralization characteristics. UTM coordinates are in NAD83Z15

Following the preliminary prospecting and structural mapping, the Company’s team of geologists continued with channel sampling of the Fisher zone, a previously identified zone of gold and silver mineralization located on one of numerous splays from the main Huronian Shear Zone, and the McKellar zone, the southwest strike extension of the historically mined Huronian zone. Results of these channel samples are summarized below:

**Table 8: Summary of Significant Channel Sample Results – Huronian Property<sup>(1)</sup>**

Channel ID	Zone	Weighted Grade Au (g/t)	Weighted Grade Ag (g/t)	Length (m)
FC14	Fisher	7.7	23.9	3.1
FC22	Fisher	1.5	5.7	5.8
FC20	Fisher	1.1	7.5	3.5
FC4	Fisher	1.2	2.9	3.4
FC3	Fisher	1.3	4.2	1.6
FC21	Fisher	0.5	1.7	5.7
M12	McKellar	1.1	8.0	8.2
M35	McKellar	1.0	1.2	6.0
M13	McKellar	0.9	9.0	9.0
M17	McKellar	1.0	7.0	3.7
M10	McKellar	0.8	8.5	5.1
M7	McKellar	0.9	7.1	4.1
M23	McKellar	0.8	3.8	3.4
M1	McKellar	1.0	8.0	2.4

(1) Contiguous sampling lengths are dictated by the exposure of rock available to sample and not necessarily the width of the zone. Channel samples are cut as close to perpendicular to the strike of mineralization as possible but are not representative of true width of the zone.



## QUALITY ASSURANCE (QA/QC)

The Company implements a quality control program for the trench sampling and its drill programs to ensure best practice in sampling and analysis. The strict quality assurance/quality control protocols include the systematic insertion of certified standard reference and blank materials into each sample batch. To analyse the samples the Company collects during its sampling and drill programs the Company uses services of Activation Laboratories Ltd. (“Actlabs”) of Thunder Bay, Ontario with ISO 17025 accreditation. Samples are transported in securely sealed bags to Actlabs and all samples are analyzed using industry-standard techniques. Gold and silver are analyzed by a standard 50 gram fire assay with an AAS and a gravimetric finish on samples greater than 5 g/t.

The planning, execution and monitoring of the Company’s quality control programs are under the supervision of Michael Thompson, P. Geo., President and Chief Executive Officer of Kesselrun.

## COMMITMENTS

In order to keep the Bluffpoint Property and the Huronian Property 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. The Company continuously monitors status of its claims; and should it decide that the exploration of certain claims within a property is not in the Company’s best interests at any given year, the Company retains the right to drop such claims.

## QUALIFIED PERSON

Michael Thompson, P. Geo., President and Chief Executive Officer of Kesselrun, is the Qualified Person responsible for the Bluffpoint Property and the Huronian Property projects as defined by National Instrument 43-101.

## SELECTED ANNUAL INFORMATION

**Table 9. Comparison of financial condition**

	<b>Year ended July 31, 2019</b>	<b>Year ended July 31, 2018</b>	<b>Year ended July 31, 2017</b>
Working capital	\$ 580,157	\$ 1,411,415	\$ 2,796,571
Current assets	\$ 1,087,683	\$ 1,828,317	\$ 3,199,521
Exploration and evaluation assets	\$ 2,484,678	\$ 2,474,966	\$ 2,088,416
Total liabilities	\$ 507,526	\$ 416,902	\$ 402,950
Share capital and share-based payment reserve	\$ 6,558,273	\$ 6,559,061	\$ 6,357,337
Deficit	\$ 3,493,438	\$ 2,672,680	\$ 1,472,350

## RESULTS OF OPERATIONS

During the year ended July 31, 2019, the Company reported a net loss of \$820,758 as compared to net loss of \$1,200,330 the Company incurred during the year ended July 31, 2018.

During the year ended July 31, 2019, the Company’s operating expenses decreased by \$193,465, from \$423,355 the Company incurred during the year ended July 31, 2018, to \$229,890 the Company incurred during the year ended July 31, 2019. The largest factor that contributed to the decrease in operating expenses was attributed to \$122,512 decrease in share-based compensation, as during the year ended July 31, 2018,

the Company granted options to acquire up to 1,650,000 shares of its common stock at \$0.10 per share to its directors, officers and a consultant, which resulted in \$121,724 in share-based compensation. During the year ended July 31, 2019, the Company recognized a recovery of \$788 on the vested portion of an option to acquire up to 300,000 shares of its common stock the Company granted to its consultant; the recovery resulted from a decrease in the share price. The second largest factor contributing to the decrease was associated with advertising and promotion expenses, as during the year ended July 31, 2019, the Company incurred \$3,888 in advertising and promotion expenses associated with exhibiting at several conferences, whereas during the year ended July 31, 2018, the Company incurred \$68,555 in advertising and promotion expenses, which were associated not only with exhibiting at the conferences, but in addition included fees for corporate communication activities during the period then ended. In addition to decreased share-based compensation and advertising expenses, the Company's consulting fees for corporate and business development services decreased by \$5,000 from \$91,500 the Company incurred during the year ended July 31, 2018 to \$86,500 the Company incurred during the year ended July 31, 2019, the accounting and audit fees decreased by \$9,936 to \$33,634 incurred during the year ended July 31, 2019, filing fees decreased by \$5,126 to \$13,450, as opposed to \$18,576 the Company incurred during the year ended July 31, 2018, and travel fees decreased by \$5,175 to \$1,965, as opposed to \$7,140 incurred during the year ended July 31, 2018.

Above noted decreases were in part offset by management fees of \$60,000, which the Company accrued as payable to an entity of which Michael Thompson, the Company's CEO, is the sole owner of, and which increased by \$20,000 as compared to \$40,000 the Company incurred during the year ended July 31, 2018.

In addition to the regular business operating expenses, the Company's overall net loss for year ended July 31, 2019, was effected by \$611,275 unrealized loss on the Company's marketable securities represented by First Mining Shares ("FM Shares") (2018 - \$718,650), which resulted from the decline in market value of the FM Shares, which was in part offset by \$27,437 realized gain on the sale of marketable securities (2018 - \$39,768 loss on sale of marketable securities). In addition, the Company accrued \$7,030 in interest on the note payable the Company issued to Fladgate Exploration Consulting Corporation ("Fladgate") (2018 - \$18,557).

### Summary of Quarterly Results

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

**Table 10. Summary of quarterly results**

	<b>July 31, 2019</b>	<b>April 30, 2019</b>	<b>January 31, 2019</b>	<b>October 31, 2018</b>
Net Income (Loss)	\$ (43,160)	\$ (404,618)	\$ 211,117	\$ (584,097)
Income (Loss) per Share	\$ (0.00)	\$ (0.01)	\$ 0.01	\$ (0.02)
Exploration and Evaluation Assets	\$ 2,484,678	\$ 2,483,300	\$ 2,474,966	\$ 2,474,966
Total Assets	\$ 3,572,361	\$ 3,586,646	\$ 3,970,026	\$ 3,737,539
Working Capital (Deficit)	\$ 580,157	\$ 624,695	\$ 1,037,647	\$ 827,110

	<b>July 31, 2018</b>	<b>April 30, 2018</b>	<b>January 31, 2018</b>	<b>October 31, 2017</b>
Net Income (Loss)	\$ (398,977)	\$ (78,758)	\$ (632,170)	\$ (90,425)
Income (Loss) per Share	\$ (0.01)	\$ (0.00)	\$ (0.02)	\$ (0.00)
Exploration and Evaluation Assets	\$ 2,474,966	\$ 2,474,966	\$ 2,473,349	\$ 2,473,349
Total Assets	\$ 4,303,283	\$ 4,636,718	\$ 4,891,363	\$ 5,505,961
Working Capital (Deficit)	\$ 1,411,415	\$ 1,808,970	\$ 1,826,508	\$ 2,321,213

## Liquidity and Capital Resources

As at July 31, 2019, the Company had \$197,131 (July 31, 2018 - \$49,025) in cash, current assets of \$1,087,683 (July 31, 2018 - \$1,828,317) and current liabilities of \$507,526 (July 31, 2018 - \$416,902) with working capital of \$580,157 (July 31, 2018 – \$1,411,415). The largest component of the Company’s current assets was attributed to \$873,450 equity investment in 3,235,000 FM Shares (July 31, 2018 - \$1,739,130). Other current assets included GST receivable totalling \$8,946, and prepaid expenses totalling \$8,156. During the year ended July 31, 2019, the Company’s operations were supported by \$281,842 cash received from the sale of 763,000 FM Shares.

Aside from the sale of FM Shares, the Company does not have any additional sources of immediate cash flows. Should the Company require additional financing to continue exploration of its current mineral claims, acquire additional claims, and to support general operating activities, the Company may sell any part of its equity investment in FM Shares, or may choose to offer its equity securities, primarily through private placements for cash.

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 years ended July 31, 2019 and 2018, the Company had the following transactions with related parties:

**Table 11. Related Party Transactions**

	Year ended July 31,	
	2019	2018
Fladgate, for exploration and evaluation expenditures <sup>(1)</sup>	\$ 9,712	\$ 384,933
Da Costa Management Corp., for accounting, consulting, and administrative services <sup>(2)</sup>	\$ 72,000	\$ 72,000
Flyrock Capital, for management fees <sup>(3)</sup>	\$ 60,000	\$ 40,000

<sup>(1)</sup> Fladgate is a full service geological consulting firm 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, Chief Financial Officer and a director of Kesselrun.

<sup>(3)</sup> Flyrock Capital (1796795 Ontario Inc.) is a private company owned by Michael Thompson.

Amounts due to related parties consist of amounts owed directly to the officers and directors of the Company and to private companies controlled by the officers and directors of the Company. These amounts are unsecured, non-interest bearing and due on demand. At July 31, 2019, the amount payable to related parties was \$404,245 (July 31, 2018 - \$317,256).

At July 31, 2019, the Company was indebted to Fladgate in the amount of \$91,738 (2018 - \$84,708) under the note payable the Company issued to Fladgate during the year ended July 31, 2017 (the “Loan”). The

Loan is unsecured, due on demand and accumulates interest at a rate of 8% per annum compounded monthly. During the year ended July 31, 2019, the Company accrued \$7,030 in interest (2018 - \$18,557).

### Outstanding Share Data

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

**Table 12. Share Data**

Type	Amount	Conditions
Common shares	37,763,483	Issued and outstanding
Stock options	700,000	Exercisable into 700,000 common shares at a price of \$0.05 per share until March 26, 2020
Stock options	300,000	Exercisable into 300,000 common shares at a price of \$0.06 per share until April 13, 2021
Stock options	595,000	Exercisable into 595,000 common shares at a price of \$0.11 per share until May 31, 2021
Stock options	1,650,000	Exercisable into 1,650,000 common shares at a price of \$0.10 per share until December 21, 2022
	41,008,483	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, 2019.

### New accounting standards and interpretations

A number of new accounting standards, amendments to standards, and interpretations have been issued but not yet effective up to the date of issuance of the Company's financial statements. The following standard is relevant to the Company's financial statements:

#### IFRS 16 - Leases

In January 2016, the IASB released IFRS 16 "Leases" replacing IAS 17 "Leases" and related interpretations. The new standard eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. The accounting requirements from the perspective of the lessor remain largely in line with previous IAS 17 requirements.

IFRS 16 is effective for reporting periods beginning on or after January 1, 2019. The Company's management is currently assessing the impact of IFRS 16 on these 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. As of the date of this MD&A, we hold 3,235,000 shares of First Mining without any significant resale restrictions. As such we believe that we have enough liquid assets to continue our exploration activities and day-to-day operations for the next 12-month period. Should our exploration activities require larger capital injections than currently budgeted, or if the market value of FM Shares decreases, we may not be able to source additional funding for further exploration of our projects. If we fail to obtain additional financing, should it become necessary, we may have to delay or cancel further exploration of our properties, and we could lose all of our interests in our claims.

*Factors beyond our control may determine whether any mineral deposits we discover are sufficiently economic to be developed into a mine.*

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 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 Project.

*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 and marketable securities 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 fall due. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

b) Credit risk

Credit risk is the risk of potential loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is limited to the carrying amount on the statement of financial position and arises from the Company's cash, which is held with a high-credit quality financial institution. As such, the Company's credit risk exposure is minimal.

c) Market risk

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

i. Currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company has minimal financial risk arising from fluctuations in foreign exchange rates as the Company does not own foreign currency denominated financial assets or liabilities.

ii. 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 has minimal interest rate risk as it has no interest accumulating financial assets that may become susceptible to interest rate fluctuations.

iii. Equity Price risk

Equity price risk is the risk that the fair value of equity/securities decreases as a result of changes in the levels of equity indices and the value of individual stocks. The Company is exposed to equity price risk as a result of its investments in marketable securities.

## CONTINGENCIES

There are no contingent liabilities.

## ADDITIONAL INFORMATION

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