

**GOWEST GOLD LTD.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE THREE AND SIX MONTHS ENDED APRIL 30, 2016**

This management discussion and analysis ("MD&A") of the financial condition and results of operations of Gowest Gold Ltd. ("Gowest" or the "Company") describes the operating and financial results of the Company for the three and six months ended April 30, 2016. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. The MD&A supplements, but does not form part of the financial statements of the Company and should be read in conjunction with Gowest's audited financial statements for the years ended October 31, 2016 and 2015, together with the notes thereto. The Company prepares and files its financial statements in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian dollars unless otherwise noted and gold is measured in fine troy ounces ("ounces").

**Forward-looking Statements**

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the potential of Gowest's properties to contain economic precious and base metal deposits; the Company's ability to meet its working capital needs for the next twelve-month period, or the foreseeable future; the plans, costs, timing and capital for future exploration and evaluation of Gowest's property interests, including the costs and potential impact of complying with existing and proposed laws and regulations; management's outlook regarding future trends; sensitivity analysis on financial instruments, which may vary from amounts disclosed; prices and price volatility for precious and base metals; and general business and economic conditions.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond Gowest's ability to predict or control. These risks, uncertainties and other factors include, but are not limited to, precious and base metal deposits, price volatility, changes in debt and equity markets, timing and availability of external financing on acceptable terms, the uncertainties involved in interpreting geological data and confirming title to the Company's properties, the possibility that future exploration results will not be consistent with Gowest's expectations, increases in costs, environmental compliance and changes in environmental and other local legislation and regulation, interest rate and exchange rate fluctuations, changes in economic and political conditions and other risks involved in the precious and base metal exploration and evaluation, as well as those risk factors listed in the "Risks and Uncertainties" section below. Readers are cautioned that the foregoing list of factors is not exhaustive of the factors that may affect the forward-looking statements. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions that may prove to be incorrect, including, but not limited to, assumptions about the following: the availability of financing for Gowest's exploration and evaluation activities; operating and exploration costs; the Company's ability to retain and attract skilled staff; timing of the receipt of regulatory and governmental approvals for exploration projects and other operations; market competition; and general business and economic conditions.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Gowest's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should

not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

## **Date of MD&A**

This MD&A is dated June 22, 2016.

## **Description of the Business and Going Concern**

Gowest is in the business of exploring and evaluating properties that it believes contain mineralization that is, or will, in the future, be economically recoverable. The Company is focused on the exploration and evaluation of the North Timmins Gold Project ("NTGP"), which includes its wholly-owned Bradshaw gold deposit (formerly Frankfield East gold deposit). Gowest's 10,942-hectare (109 square kilometres) NTGP land package is located near Timmins, Ontario, in the Timmins Gold Camp, which, since its discovery in the early 1900's, has produced almost half of all the gold mined in Canada.

The Company's primary objective is to advance its Bradshaw gold deposit to development and increase the resource through exploration in the NTGP. The Company also remains open to evaluating other potential opportunities to enhance shareholder value.

In addition to its focus on the exploration and evaluation of its Bradshaw gold deposit, which represents approximately 50-hectare (0.5 square kilometre), the Company is exploring additional gold targets on the remainder of its land package. This land package generally surrounds, or is contiguous with, the Frankfield property and includes exploration interests along the largely undeveloped Pipestone Fault area of the Timmins Gold Camp, including a contiguous block of claims extending approximately 18 kilometres along the Pipestone Fault from the Bradshaw gold deposit southeast towards the Clavos deposit. The Company regularly evaluates the potential to increase its holdings in the vicinity of the Pipestone Fault, among other acquisition opportunities.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that planned exploration and evaluation programs will result in the development of a profitable mine. The recoverability of the amount shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and evaluation, and the subsequent development of a mine and upon future profitable production or proceeds from dispositions of such properties. Changes in future conditions could require material write-downs of the carrying amounts of mineral properties.

Although the Company has taken steps to verify title to its mineral property interests, in accordance with industry standards for the current stage of exploration of such property, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, aboriginal claims, and noncompliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

The accompanying financial statements have been prepared in accordance with Canadian General Accepted Accounting Principles ("GAAP"), as applicable to a going concern, which contemplates the realization of its assets and the settlement of its liabilities in the normal course of operations.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The ability of the Company to continue operations is dependent upon obtaining the necessary financing to complete the development of a mineral property. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern...

Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

## Q2 2016 Highlights

- During the quarter, the Company received permits for Advanced Exploration at the Bradshaw gold deposit from the Ministry of Northern Development and Mines and from the Ministry of Natural Resources and expected to receive, before the end of June, 2016 the final permit from the Ministry of Environment and Climate Change.
- The Company's development strategy on the Bradshaw gold deposit is to optimize project efficiencies, accelerate timelines and lower both up-front and overall project costs.
- The Company is advancing discussions to secure all the required contracts and funding to allow for the mining and processing of a bulk sample on the Bradshaw.
- The Company is progressing on the detailed engineering work in advance of the start of a bulk sample collection at Bradshaw.
- During the quarter, the Company completed all the necessary exploration work to satisfy the 60% earn in interest in approximately 3,302 hectares on the Pipestone Property, part of the NTGP. The completion of the exploration work triggered the Joint Venture with Transition Metals.
- During the quarter the Company completed a deep looking, IP survey along the Pipestone structure. The structure is almost completely covered by sand, gravel and overburden which was largely under explored. The Company now has a defined geophysical fingerprint to help identify future exploration targets on the Company's NTGP.
- The Company completed an initial exploration IP grid at the Wark1 property to assist in preparing field exploration programs along the Pipestone structure.

## Subsequent Events

On June 16, 2016, the Company announced that it has received all the necessary permits to begin the Advanced Exploration work at Bradshaw.

Subsequent to April 30, 2016, 400,000 stock options to acquire common shares expired unexercised.

## Selected quarterly information

The following tables set out certain financial performance highlights for the last eight quarters:

	<b>Second Quarter April 30, 2016</b>	<b>First Quarter January 31, 2016</b>	<b>Fourth Quarter October 31, 2015</b>	<b>Third Quarter July 31, 2015</b>
	\$	\$	\$	\$
Revenues	-	-	-	-
Expenses	(306,354)	(225,170)	(333,466)	(385,760)
Interest income	(694)	2,289	1,177	866
Deferred income tax recovery	-	-	261,000	-
Net Comprehensive (loss)	(307,048)	(221,381)	(70,539)	(385,269)
Net (loss) per share, basic	(0.00)	(0.00)	(0.00)	(0.004)
Cash flow (used in) operations	(393,026)	(357,597)	(144,054)	(151,669)
Cash & cash equivalents, end of period	1,745,774	2,694,149	2,391,096	182,258
Assets	22,854,390	23,227,555	21,815,776	19,142,673

Deferred tax liabilities	1,416,000	1,416,000	1,416,000	1,608,000
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	Second Quarter April 30, 2015	First Quarter January 31, 2015	Fourth Quarter October 31, 2014	Third Quarter July 31, 2014
	\$	\$	\$	\$
Revenues	-	-	-	-
Expenses	(256,897)	(264,765)	(495,189)	(193,369)
Interest income (expense)	2,020	6,195	1,145	-
Deferred income tax expense	-	-	227,000	-
Net Comprehensive (loss)	(256,377)	(258,570)	(163,895)	(194,119)
Net (loss) per share, basic	(0.00)	(0.00)	(0.01)	(0.01)
Cash flow (used in) operations	(297,463)	(386,009)	(90,709)	(493,538)
Cash & cash equivalents, end of period	800,967	1,840,265	2,538,587	361,084
Assets	19,345,502	19,585,111	19,988,797	17,196,959
Deferred tax liabilities	1,608,000	1,608,000	1,608,000	1,794,000

The following is a summary of selected audited financial information for the fiscal years of:

	2015	2014	2013
	\$	\$	\$
Revenues	-	-	-
Expenses	1,240,888	1,222,710	1,300,460
Interest, other income/(expense)	10,258	(109,524)	306,843
Net loss before income taxes	(1,230,630)	(1,332,234)	(993,617)
Future income taxes (expense) recovered	261,000	227,000	(181,296)
Net loss for the year	(969,630)	(1,105,234)	(1,174,913)
Net Comprehensive loss for the year	(970,755)	(1,000,984)	(1,189,913)
Net loss per share, basic and diluted	(0.004)	(0.01)	(0.01)
Cash flow from (used in) operations	(979,195)	(821,264)	(737,320)
Cash & cash equivalents, end of period	2,391,096	2,538,587	146,185
Assets	21,815,776	1,988,797	16,769,369
Deferred tax liabilities	1,416,000	1,608,000	1,794,000

## Results of Operations

The Company's activities during the three and six month period ended April 30, 2016, produced a net comprehensive loss of (\$307,048) and (\$528,429), respectively as compared to a net comprehensive loss of (\$256,377) and (\$514,947), respectively for the comparable prior year period.

The expenditures listing below is followed by a brief discussion of significant line items in expenses.

Expenses	Three months Ended April 30, 2016	Three Months ended April 30, 2015	Six Months ended April 30, 2016	Six Months Ended April 30, 2015
	\$	\$	\$	\$
General and administrative	264,264	186,697	457,878	364,483
Professional fees	8,782	21,115	11,096	42,855

Investor relations	26,497	24,071	32,544	50,621
Shareholder communications	3,272	10,799	16,070	15,172
Share-based payments	-	-	1,400	28,000
Transfer agent and exchange fees	1,437	7,881	8,934	9,971
Amortization	2,102	6,334	3,602	10,560

**General and Administrative Expenses** – The increase in the three and six month period of \$193,614 and \$457,878, respectively compared to the prior year period of \$186,697 and \$364,483, respectively reflect the additional costs for services paid to related parties.

**Professional Fees** – The decrease in professional fees during the three and six month period reflect a reduction in the services and fees incurred in the current period by outside consultants as compared to the prior year comparative period.

**Investor Relations** – The decrease in these expenses during the three and six month period was reflective of a reduction in services provided as compared to the prior year comparative period.

**Share-based compensation** – The reduction in the share-based compensation expense for the three and six month period as compared to the prior year comparable period reflects a difference in the timing of issuance of stock options.

**Transfer agent & regulatory fees** – Transfer agent & regulatory fees were comparable for the three and six month period with the prior year comparable period.

**Amortization** – The decrease in amortization expense in the three and six month period as compared to the prior year comparable period reflects the full amortization of the on the Corporate office assets.

### Liquidity and Capital Resources

The activities of the Company, which are primarily the acquisition, exploration and evaluation of mineral properties, that it believes contain mineralization, are financed through the completion of equity transactions such as equity offerings and the exercise of stock options and warrants. There is no assurance that equity capital will be available to the Company in the required amounts, with acceptable terms or at the time required. See “Risk Considerations” below.

As at April 30, 2016 and October 31, 2015, the Company reported a cash and cash equivalent position of \$1,745,774 and \$2,391,096 respectively and working capital of \$1,697,057 and \$2,017,472, respectively.

The Company’s use of cash in operations activities was (\$750,623) for the six month period ended April 30, 2016, reflecting a reduction in outstanding accounts payable. Cash used in investing activities was (\$842,643) for the six month period ended April 30, 2016 reflecting the costs of the completion of the IP Program, road improvement at site, consultation expenses and expenses related to the permits submissions.

The Company’s cash provided by financing activities was \$947,944 for the six month period ended April 30, 2016, reflecting the \$1,017,742 Flow-Through financing. The Company has expended approximately \$741,000 related to these flow-through funds and will expend the balance of \$277,000 by December 31, 2016.

The Company currently has sufficient working capital to meet its obligation under the Flow-Through financing; meet its corporate obligations for the next twelve month period by evaluating the next steps to

advancing its Bradshaw gold deposit to development; and increase the resource through exploration in the NTGP.

The Company will assess its future funding requirements to advance on the stages of development. The Company expects to be funded through completion of equity transactions such as equity offerings, exercise of stock options and warrants and also issuance of debt or explore various alternative methods to continue the advancement of the Company's projects.

### Mineral Properties

According to Gowest's Exploration and Evaluation Properties as at April 30, 2016, accumulated costs related to the Company's interest in mineral properties owned, leased, under consideration to be acquired or under option, were as follows:

	November 1, 2015 Opening Net Book Value	Expenditures for the Six Month Period Ended April 30, 2016	April 30, 2016 Closing Net Book Value
	\$	\$	\$
Frankfield Property	17,126,596	1,318,094	18,444,690
Pipestone Property	1,098,294	324,123	1,422,417
Tully Property	888,275	69,458	888,275
Whitney Property	109,259	426	109,685
	19,222,424	1,642,643	20,865,067

### Exploration and Development Expenditures

	Frankfield Property		Pipestone Property		Tully Property		Whitney Property		Total	
	Six Months Ended April 30, 2016	Six Months Ended April 30, 2015	Six Months Ended April 30, 2016	Six Months Ended April 30, 2015	Six Months Ended April 30, 2016	Six Months Ended April 30, 2015	Six Months Ended April 30, 2016	Six Months Ended April 30, 2015	Six Months Ended April 30, 2016	Six Months Ended April 30, 2015
Opening Balance, Beginning of period	17,126,596	15,367,677	1,098,294	1,037,330	888,275	885,962	109,259	-	19,222,424	17,290,969
Acquisition and holding costs	-	-	-	-	-	-	-	-	-	-
Property upgrades	128,217	-	-	-	-	-	-	-	128,217	-
Office, Camp, Engineering, Study, Consultation and Permitting	382,702	993,758	145,789	2,340	-	-	426	-	528,917	996,098
Drilling and Geophysics	7,175	52,192	178,334	-	-	-	-	-	185,509	52,192
Royalty	800,000	-	-	-	-	-	-	-	800,000	-
Closing Balance, End of Period	18,444,690	16,413,627	1,422,417	1,039,670	888,275	885,275	109,685	-	20,865,067	18,339,259

For a description of the mineral properties owned by the Company, refer to Note 9 of the condensed interim unaudited financial statements as at April 30, 2016.

### Pre-Feasibility Study and Refiling Announcements (For further information please see News Releases June 9, 2015 and September 25, 2015)

The Pre-Feasibility Study ("PFS") was conducted by Stantec Mining ("Stantec") through their Mississauga, Ontario office. The PFS was focused on mining the upper 500 vertical meters ("m") of

mineralization at Bradshaw. Previous drilling has intercepted mineralization at a vertical depth of 1,350 m, indicating the deposit remains open for additional development.

The Company has identified more gold mineralization at Bradshaw, which does not currently meet the criteria for inclusion in the PFS but with further drilling from surface and once underground, Gowest intends to convert this mineralization into a resource.

**Highlights of PFS issued in 2015 (100% Equity, All figures in USD):**

Gold Price	\$1,200/oz
Exchange Rate	CAD \$1.00 = US\$0.80
Pre-tax Net Present Value ("NPV") (5%)	\$39.8 million
Pre-tax Internal Rate of Return ("IRR")	32%
After-tax NPV (5%):	\$29.2 million
After-tax IRR	27%
Initial Capital	\$21.5 million
Sustaining Capital	\$21.4 million
Pre-tax Payback Period	3.5 years
Life of Mine ("LOM") Operating Cost	\$821/ounce ("oz") gold ("Au")
All-in Sustaining Cost <sup>1</sup>	\$891/oz
Ore Mined	1, 787,295; tonnes ("t")
Avg. Mineable Ore grade	4.82 grams per tonne ("g/t") Au
Development Rock Mined (additional mineralized rock)	666,253 t
Avg. Development Rock grade	1.31 g/t Au
Initial LOM (includes bulk sample) <sup>2</sup>	8.5 years
Total Gold (extracted in initial phase) <sup>3</sup>	305,058 oz
Total Gold Recovery	93%
Avg. Annual Recovered Au Production	40,500 oz
Gross Revenue to Operation	\$341 million

<sup>1</sup> All-in Sustaining costs are inclusive of LOM Operating Costs and Mine Sustaining Capital Cost as described in the Capital and operating costs highlights section in this release.

<sup>2</sup> Initial LOM includes 1.5 years of pre-production and 7 years of full production.

<sup>3</sup> Total gold ounces are mineral reserve ounces plus development rock ounces.

The Company notes:

1. The PFS includes the ounces contained in the reserve derived from the updated measured and indicated resources of the gold mineralization at Bradshaw and does not include any of the inferred ounces of gold mineralization;
2. Additional mineralization that does not qualify as a reserve for these calculations has been identified in the development rock which is recoverable at a profit by using advanced rock-sorting technology and is expected to generate additional gold production;
3. The PFS is based on using third party mining, milling and refining;
4. The Company plans to use advanced rock-sorting technology to increase gold production beyond the scope for this PFS.

**Capital and operating cost highlights:**

Capital Costs are broken down into two parts. The first includes the capital ("Initial Capital") required to bring the deposit into production and start generating cash flow. If the mine should proceed to production, there is a sustaining capital cost ("Mine Sustaining Capital Cost") to develop the main ramp deeper into the mine over the LOM to complete the access to the reserve.

The costs are based on the construction of a greenfield mine site, contract mining and crushing, and the use of third party existing facilities for milling and refining.

<b>Capital Costs (Millions USD)</b>	
Initial Capital:	
Site Surface Development	10.5
Underground ("UG") Development ("Dev")	10.7
Closure Cost	0.3
Total Initial Capital	21.5
Mine Sustaining Capital Cost (UG Ramp Dev)	21.4
LOM Capital Costs	42.9

<b>Operating Costs (Millions USD)</b>	
Mining:	
Operating Costs	47.7
Level Development Costs	45.4
Owners Costs	25.0
Indirect	41.0
Total Mining	159.1
Toll Milling	39.9
Refining	34.1
Royalties	2.8
LOM Operating Costs	236.0

### **Next Steps**

In parallel with plans to raise financial support to advance the Bradshaw Gold Deposit towards production, Gowest is at an advanced stage of completing the requirements for developing and building the mine. The Company has consulted with the various communities who may be impacted by the development of Bradshaw. The Company anticipated that all permits for advanced exploration would be received by second quarter of 2016.

The Company's primary objective is to advance its Bradshaw gold deposit to development and increase the resource through exploration in the NTGP. The Company also remains open to evaluating other potential opportunities to enhance shareholder value.

The next major step in the mine's development is an advanced exploration program aimed at producing a 30,000 tonne bulk sample from the primary gold zones in the underground mining area at Bradshaw. The Company is in discussion with interested parties for financing this work.

In addition, the Company is reviewing opportunities to increase the resource through exploration on the NTGP.

On a quarterly basis, the management of the Company reviews exploration costs to ensure deferred expenditures include only costs and projects that are eligible for capitalization.

### **Commitments and Contingencies**

The Company is party to a management and a consulting contract. The contract contains clauses requiring additional payments of up to \$456,000 being made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payment has not been reflected in these financial statements.



On December 22, 2015, the Company issued a total of \$1,017,742 in flow-through shares. As at April 30, 2015, the Company had expended approximately \$741,000 related to these flow-through funds and is required to expend the balance of \$277,000 by December 31, 2016. The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments.

The Company is committed to minimum amounts under two operating lease agreements for premises, which expire on July 31, 2018 and November 30, 2018. Minimum commitments remaining under this lease are approximately \$282,702, of which \$111,992 are due within one year.

The Company's exploration and evaluation activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### **Transactions with Related Parties**

Related party transactions conducted in the normal course of operations are measured at the exchange value. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, to similar transactions to non-key management personnel related entities on an arm's length basis.

The remuneration of directors and key management of the Company for the six month period ended April 30, is as follows:

	<u>2016</u>	<u>2015</u>
Aggregate cash compensation	\$ 253,600	\$ 173,000
Share based compensation	-	\$ 28,000

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. Independent non-executive directors are not remunerated other than the benefits received, if any, from the granting of stock options. Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

During the six month period ended April 30, 2016, C. Fraser Elliott subscribed for 500,000 units in the private placements for proceeds of \$50,000 (January 31, 2015 – Nil). During the six month period ended April 30, 2016, \$32,400 was paid to Mr. Yungang Wu, a director who provided geological services to the Company (April 30, 2015 - \$6,000) and \$25,200 was paid to Mr. Meirong Yuan who provided Corporate Development services to the Company (April 30, 2015 - \$Nil). During the six month period ended April 30, 2016, \$105,000 of accrued director compensation was settled by the issuance of 1,312,500 common shares to non-management directors of the Corporation.

Included in accounts payable and accrued liabilities as at April 30, 2016 was \$75,500 (2015 - \$150,000) owing to non-management directors of the Company. These amounts are unsecured, non-interest bearing, and due on demand.

## **Proposed Transactions**

There are no material decisions by the board of directors of the Company with respect to any imminent or proposed transactions that have not been disclosed.

## **Change in Accounting Policy**

### *New accounting standards and interpretations effective in future period*

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after November 1, 2016 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the list below. The following have not yet been adopted and are being evaluated to determine the impact on the Company.

(i) IFRS 9 – Financial instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

(ii) IFRS 16 – Leases (“IFRS 16”) was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

(iii) IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

## **Capital Management**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and evaluation of mineral properties. The Board of Directors does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned

exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the six month period ended April 30, 2016. The Company is not subject to externally imposed capital requirements.

Refer to Note 3 in the condensed interim unaudited financial statements.

### **Risk Considerations**

Gowest's business of exploring for mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company attempts to mitigate these risks and minimize their effects on its financial performance, but there is no guarantee that the Company will be profitable in the future, and Gowest common shares should be considered speculative.

### **Financial Risk Factors**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

The Company will continue to review its ongoing financial requirements to meet continued exploration and evaluation plans.

#### *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 commodity and equity prices.

##### (a) Interest rate risk

The Company has cash and cash equivalents and no interest-bearing debt. The Company's current policy is to invest excess cash in high interest savings accounts and investment-grade certificates of deposit issued by its Canadian financial institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its Canadian financial institutions. Currently, the Company does not hedge against interest rate risk.

##### (b) Foreign currency risk

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as they relate to gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. As the Company's mineral properties are in the exploration stage, the Company does not hedge against commodity price risk. The Company's long-term investment in Crown Mining Corp. (formerly Crown Gold Corporation) ("Crown") is subject to fair value fluctuations arising from changes in the equity and commodity markets.

*Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and accounts receivable. Cash and cash equivalents consist of cash, high interest savings accounts and certificates of deposit at select Canadian financial institutions, from which management believes the risk of loss to be remote. Financial instruments included in accounts receivable consist of goods and services tax due from the Federal Government of Canada and receivables from joint venture partners. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable is remote.

*Sensitivity analysis*

The Company has designated its cash as held-for-trading, which is measured at fair value. Marketable securities are classified as available-for-sale, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

As at April 30, 2016, the carrying and fair value amounts of the Company's financial instruments are the same.

Based on management's knowledge of and experience with the financial markets, the Company believes the following movements are "reasonably possible" over a twelve month period:

(i) Cash equivalents are subject to floating interest rates. As at April 30, 2016 if interest rates had decreased/increased by 1% with all other variables held constant, the loss for the three and six month period ended April 30, 2016 would have not had been significantly impacted.

(ii) The Company's available-for-sale investment in the common shares of Crown is subject to fair value fluctuations. As at April 30, 2016, if the bid price of the common shares of Crown had changed by 10% with all other variables held constant, the other comprehensive income for the three and six month period ended April 30, 2016, before tax would not have been significantly impacted.

The Company does not hold any balances in foreign currencies to give rise to exposure to foreign exchange risk.

Commodity price risk is remote since the Company is not a producing entity.

## **Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's President and Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

As at April 30, 2016, Gowest management, with the participation of the President and Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the President and Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that material information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the President and Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

## **Internal Control Over Financial Reporting**

Management of the Company is responsible for designing internal control over financial reporting or causing it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with IFRS.

There are inherent weaknesses in the systems of internal control due to the small size of the company and its inability to segregate incompatible functions. The Company plans to remediate this weakness by expanding the number of individuals involved in the accounting function as the company incurs future growth.

## **Outstanding Share Data**

### *Common Shares:*

The Company has authorized an unlimited number of common shares and 2,000,000 special shares, redeemable, voting and non-participating. The Company has 282,797,238 shares issued and outstanding as of the date hereof.

Gowest shares are traded on the TSX Venture Exchange under the symbol GWA.

### *Share Purchase Warrants:*

As of the date hereof, the Company has 8,201,210 common share purchase warrants outstanding with a weighted average exercise price of \$0.10 expiring between June 2016 and December 2017.

### *Stock Options:*

As of the date hereof, the Company has 10,575,000 options outstanding under the Company's stock option plan for employees, directors, officers and directors with a weighted average exercise price of \$0.14 expiring from 2016 to 2020.

## **Additional Information**

Additional information relating to the Company is available on the Internet at the SEDAR website located at [www.sedar.com](http://www.sedar.com) and at <http://www.gowestgold.com/index.html>.