

Kestrel Gold Inc.

Unaudited Interim Condensed Financial Statements

For the Three and Nine Months Ended June 30, 2017

(An Exploration Stage Company)

Notice of no auditor review of interim financial statements

The accompanying unaudited interim financial statements of Kestrel Gold Inc. have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not reviewed these condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Calgary, Alberta
August 28, 2017

Kestrel Gold Inc.
Condensed Interim Statements of Financial Position
Unaudited

	June 30 2017	September 30 2016
Assets		
Current		
Cash	\$ 617,481	\$ 2,511
Accounts receivable	8,941	1,749
	626,422	4,260
Exploration and evaluation assets (note 3)	361,761	300,000
	\$ 988,183	\$ 304,260
Liabilities		
Current		
Accounts payable and accrued liabilities (note 4)	\$ 70,394	\$ 424,387
Convertible debentures (note 5)	-	534,250
	70,394	958,637
Shareholders' Equity		
Share capital (note 5)	12,324,717	10,664,445
Other equity reserves	1,768,479	1,548,479
Deficit	(13,175,407)	(12,867,301)
	917,789	(654,377)
	\$ 988,183	\$ 304,3260

Nature of operations and going concern (note 1)

Approved on behalf of the Board of Directors:

Signed "Kevin V. Nephin"
 Director

Signed "Robert Solinger"
 Director

The accompanying notes are an integral part of these condensed interim financial statements.

Kestrel Gold Inc.
Condensed Interim Statements Comprehensive Loss
Unaudited

	Three months Ended June 30 2017	Three months Ended June 30 2016	Nine months Ended June 30 2017	Nine months Ended June 30 2016
Expenses				
Stock base compensation	\$ 220,000	\$ -	\$ 220,000	\$ -
Management & consulting fees	70,000	-	98,000	8,100
Investor relations & website	37,919	1,937	44,233	8,432
Listing and filing fees	7,596	-	17,246	6,400
Professional fees	2,946	369	11,509	1,044
Office and administration	2,420	-	3,698	3,707
Telephone	1,712	-	1,712	-
Travel and promotion	1,072	5,851	4,009	8,389
Interest and bank charges	872	136	1,710	415
Gain on debt settlement	(65,452)	-	(94,011)	3,000
Insurance	-	-	-	(3,226)
Comprehensive Loss	\$ 279,085	\$ 8,293	\$ 308,106	\$ 36,261
Loss per Share	\$ 0.006	\$ 0.001	\$ 0.01	\$ 0.002
Weighted average number of common shares outstanding	44,338,276	14,815,842	24,822,142	14,815,842

The accompanying notes are an integral part of these condensed interim financial statements.

Kestrel Gold Inc.
Condensed Interim Statements of Cash Flows
Unaudited

	Three months ended June 30 2017	Three months ended June 30 2016	Nine months ended June 30 2017	Nine months ended June 30, 2016
Cash used in operating activities				
Net loss for the period	\$ (279,085)	\$ (8,293)	\$ (308,106)	\$ (33,261)
Adjustments for:				
Stock-based compensation	220,000	-	220,000	10,567
Gain on debt settlement	(65,452)	-	(94,011)	-
	(124,537)	(8,293)	(182,117)	(33,261)
Change in non-cash working capital	(127,222)	8,157	(70,489)	30,740
	(251,759)	(136)	(252,606)	(2,521)
Financing activities				
Proceeds on issuance of units	954,337	-	954,337	-
	954,337	-	954,337	-
Investing activities				
Exploration and evaluation assets	(86,761)	-	(86,761)	-
	(86,761)	-	(86,761)	-
Change in cash during the period	615,817	(136)	614,970	(2,521)
Cash - beginning of period	1,665	7	2,511	2,392
Cash - end of period	\$ 617,481	(129)	\$ 617,481	\$ (129)

The accompanying notes are an integral part of these condensed interim financial statements.

Kestrel Gold Inc.
Condensed Interim Statements of Changes in Equity
Unaudited

	Number	Share capital amount	Warrants	Other equity reserves	Deficit	Total
Balance, September 30, 2015	14,815,842	\$10,664,445	-	\$1,548,479	\$(12,740,902)	\$(527,978)
Net loss for the year	-	-	-	-	(126,399)	(126,399)
Balance, September 30, 2016	14,815,842	10,664,445	-	1,548,479	(12,867,301)	(654,377)
Debt settlement agreements	5,018,700	250,935	-	-	-	250,935
Conversion of debentures	9,100,000	455,000	-	-	-	455,000
Private placements	22,666,666	1,100,000	23,098,666	-	-	1,100,000
Share issue costs	-	(145,663)	-	-	-	(145,663)
Stock-based compensation	-	-	-	220,000	-	1,662,742
Net loss for the period	-	-	-	-	(308,106)	(308,106)
Balance, June 30, 2017	51,601,208	\$12,324,717	23,098,666	\$1,768,479	\$(13,175,407)	\$917,788

The accompanying notes are an integral part of these condensed interim financial statements.

Kestrel Gold Inc.

**Notes to Condensed Interim Financial Statements
Nine Months ended June 30, 2017**

(Unaudited)

1. Nature of operations and going concern

Kestrel Gold Inc. (the “Company” or “Kestrel”) was incorporated under the *Business Corporations Act* (Alberta) on April 12, 2007. The Company changed its name to Kestrel Gold Inc. on June 24, 2010 and is trading on the TSX Venture Exchange (“TSX-V”) under the symbol “KGC”. The Company’s head office and records are located at 208 – 110 12 Avenue SW, Calgary, Alberta, T2R 0G7.

Kestrel’s principal business activities include the acquisition, exploration and evaluation of mineral properties. The Company is exploring and evaluating mineral properties in the Yukon Territory, Canada, with the aim of bringing these properties to production. The ability of the Company to meet its commitments as they become payable, the exploration and evaluation of mineral properties and projects, and the underlying value of the mineral properties are entirely dependent upon, among other things, the existence of economically recoverable reserves, the ability of Kestrel to arrange appropriate financing to complete the exploration and development of its properties, the receipt of necessary permits and upon achieving future profitable production or receiving proceeds from the disposition of the properties. The timing of such events occurring, if at all, is not yet determinable. The Company is considered to be an exploration stage enterprise, as it has not yet generated any revenue from operations.

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of business for the foreseeable future as they come due. The Company has incurred losses since inception and the ability of Kestrel to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. In order for Kestrel to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate raise additional funds.

There is no assurance at this time that the Company will be able to obtain the necessary financing to continue operations. If Kestrel is unable to obtain suitable financing in the near future, it will be necessary for the Company to examine other strategic alternatives to continue operations and enhance shareholder value, including, but not limited to, seeking creditor protection, seeking a joint venture partner, relinquishing its rights to properties or projects deemed uneconomical, the possible sale of some or all of the Company’s assets, or the merger, amalgamation or sale of the Company with or to a larger, better financed entity. These conditions cast significant doubt about the Company’s ability to continue as a going concern.

These interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Such adjustments could be material.

The Company’s working capital surplus/(deficit) and deficit are as follows:

	June 30 2017	September 30 2016
Working capital surplus/(deficit)	\$ 556,027	\$ (956,933)
Deficit	\$ 13,175,407	\$ 12,867,301

Kestrel Gold Inc.
Notes to Condensed Interim Financial Statements
Nine Months ended June 30, 2017

(Unaudited)

2. Basis of Presentation

Statement of Compliance

These condensed interim financial statements for the Nine Months ended June 30, 2017; (the “Interim Financial Statements”) have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting”. These Interim Financial Statements do not include all the disclosures required for audited annual financial statements. Accordingly, they should be read in conjunction with the notes to the Company’s audited annual financial for the year ended September 30, 2016, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”)

These Interim Financial Statements have been prepared using accounting policies consistent with those used in the Company’s 2016 annual financial statements.

These Interim Financial Statements were authorized for issuance by the Board of Directors on August 28, 2017.

Adoption of new accounting standards

There are no new recently adopted standards, amendments, and interpretations to existing standards, which have been published and are effective only for accounting periods beginning on or after September 30, 2016 that are expected to have a material impact on these Interim Financial Statements.

The Company has not yet adopted certain new standards, amendments, and interpretations to existing standards, which have been published but are not yet effective:

- IFRS 9 – Financial Instruments: Classification and Measurement, effective for periods beginning on or after January 1, 2018.
- IFRS 15 – Revenue from Contracts with customers, effective for periods beginning on or after January 1, 2018.
- IAS 16 – Leases, effective for periods beginning on or after January 1, 2019

The impact of these standards and interpretations are currently being assessed by the Company.

3. Exploration and evaluation assets

During the quarter ended June 30, 2017, Kestrel entered into option agreements to acquire a 100% interest in four separate properties in northern Canada which are prospective for gold and copper deposits. Upon signing the four agreements, the Company paid total consideration of \$90,000. Kestrel is obligated on the anniversary dates of each agreement to make additional cash payments and issue common shares together with fulfilling exploration expenditure commitments during the term of the agreements, for additional details on these agreements please refer to the press releases issued by the Company.

Kestrel Gold Inc.
Notes to Condensed Interim Financial Statements
Nine Months ended June 30, 2017

(Unaudited)

4. Accounts payable and accrued liabilities

	June 30	September 30
	2017	2016
Accounts payable and accrued liabilities	\$ 46,204	\$ 249,766
Accounts payable to officers and directors	24,190	162,366
Loans payable to directors	-	12,255
	\$ 70,394	\$ 424,387

5. Share capital

Authorized:

- Unlimited common shares without par value.
- Unlimited preferred shares, issuable in series.

Issued and outstanding:

Common shares	Number of shares	Amount
Balance as at September 30, 2016	14,815,842	\$10,664,445
Issuance on debt settlement (i)	5,018,700	250,935
Issuance on conversion of debentures (ii)	9,100,000	455,000
Issuance on private placement (iii)	16,666,666	1,100,000
Issuance on private placement (iv)	6,000,000	600,000
Less share issue costs		(145,663)
Balance as at June 30, 2017	51,601,208	\$12,324,717

Other equity reserves	Number of warrants	Amount
Balance as at September 30, 2016	-	\$1,548,479
Warrants issued		
Private placement (iii)	16,666,666	-
Private placement (iv)	6,432,000	-
Stock options (v)	-	220,000
Balance as at June 30, 2017	23,098,666	\$1,768,479

- (i) Kestrel entered into debt settlement agreements with various creditors to issue a total of 5,018,700 common shares at a price of \$0.05 per share to settle amounts owing of \$250,935. The Company issued 3,908,700 of these shares in March 2017 and the remaining 1,110,000 shares in May 2017.

Amounts settled included \$150,935 owing to officers and directors for goods and services provided over the past three years.

- (ii) The Company reached an agreement with debenture holders to convert the \$455,000 face value of the debentures in exchange for common shares at a price of \$0.05 per share. A total of

Kestrel Gold Inc.
Notes to Condensed Interim Financial Statements
Nine Months ended June 30, 2017

(Unaudited)

- \$155,000 was converted in March, with the remaining \$300,000 converted in April 2017. Kestrel recorded accrued interest owing to the debenture holders which was reversed and recorded as a gain on debt settlement.
- (iii) On April 5, 2017, the Company completed a private placement of 16,666,666 units at a price of \$0.03 per unit for gross proceeds of \$500,000. Each unit was comprised of one common share and one share purchase warrant exercisable at \$0.05 per share at any time up until April 3, 2020.
 - (iv) On June 22, 2017, the Company completed a private placement of 6,000,000 units at a price of \$0.10 per unit for gross proceeds of \$600,000. Each unit was comprised of one common share and one common share purchase warrant exercisable at \$0.15 per share at any time up until June 21, 2019.
 - (v) On April 5, 2017, the Company granted 4,400,000 stock options to officers, directors and a consultant at an exercise price of \$0.05 per share, the options vested at the time of grant and will expire on April 4, 2022.