

# **Kestrel Gold Inc.**

(An Exploration Stage Company)

## **Financial Statements**

**Years Ended September 30, 2017 and 2016**

(Expressed in Canadian Dollars)

<u>Index</u>	<u>Page</u>
<b>Independent Auditors' Report to the Shareholders</b>	
<b>Financial Statements</b>	
Statements of Financial Position	3
Statements of Loss and Comprehensive Loss	4
Statements of Cash Flows	5
Statements of Changes in Shareholders' Equity	6
Notes to Financial Statements	7 – 27

## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF KESTREL GOLD INC.

We have audited the accompanying financial statements of Kestrel Gold Inc., which comprise the statements of financial position as at September 30, 2017 and 2016 and the statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Kestrel Gold Inc. as at September 30, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

#### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to note 1 in the financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

*Smythe LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
December 20, 2017

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# Kestrel Gold Inc.

(An Exploration Stage Company)

## Statements of Financial Position

As at September 30

(Expressed in Canadian Dollars)

	Note	2017	2016
<b>Assets</b>			
<b>Current</b>			
Cash		\$ 204,884	\$ -
Accounts receivable		26,811	1,749
		<b>231,695</b>	<b>1,749</b>
Restricted cash	4	2,570	2,556
Exploration and evaluation assets	5	747,181	300,000
		<b>\$ 981,446</b>	<b>\$ 304,305</b>
<b>Liabilities</b>			
<b>Current</b>			
Bank indebtedness		\$ -	\$ 45
Accounts payable and accrued liabilities	8	128,203	424,387
Convertible debentures	6	-	534,250
		<b>128,203</b>	<b>958,682</b>
<b>Shareholders' Equity</b>			
Share capital	7	12,470,366	10,664,445
Share subscription received		5,000	-
Other equity reserves		1,854,865	1,548,479
Deficit		(13,476,988)	(12,867,301)
		<b>853,243</b>	<b>(654,377)</b>
		<b>\$ 981,446</b>	<b>\$ 304,305</b>

Approved on behalf of the Board:

Signed "Kevin V. Nephin"

Kevin V. Nephin, Director

Signed "Robert Solinger"

Robert Solinger, Director

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

**Kestrel Gold Inc.**

(An Exploration Stage Company)

**Statements of Loss and Comprehensive Loss****Years Ended September 30**

(Expressed in Canadian Dollars)

	Note	2017	2016
<b>Expenses</b>			
Share-based payments	7, 8	\$ 252,758	\$ -
Management and consulting fees	8	112,850	23,100
Investor relations and website		99,008	5,196
Professional fees		90,378	20,892
Accretion of convertible debentures and interest	6	19,506	53,149
Listing and filing fees		17,246	6,400
Office and administration		7,076	6,072
Travel and promotion		5,553	10,886
Interest and bank charges		1,393	704
		<b>605,678</b>	126,399
Loss on settlement of accounts payable	7	11,675	-
Gain on settlement of convertible debentures	6, 7	(7,756)	-
<b>Net Loss and Comprehensive Loss for the Year</b>		<b>\$ 609,687</b>	<b>\$ 126,399</b>
<b>Basic and Diluted Loss per Share</b>		<b>\$ 0.02</b>	<b>\$ 0.01</b>
<b>Weighted Average Number of Common Shares Outstanding</b>		<b>32,013,437</b>	<b>14,815,842</b>

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

## Kestrel Gold Inc.

(An Exploration Stage Company)

### Statements of Cash Flows Years Ended September 30

(Expressed in Canadian Dollars)

	2017	2016
<b>Operating Activities</b>		
Net loss for the year	\$ (609,687)	\$ (126,399)
Items not affecting cash		
Share-based payments	252,758	-
Loss on settlement of accounts payable	11,675	-
Gain on settlement of convertible debentures	(7,756)	-
Accretion of convertible debentures and interest	19,506	53,149
	<b>(333,504)</b>	<b>(73,250)</b>
Changes in non-cash working capital		
Accounts receivable	(25,062)	10,327
Accounts payable and accrued liabilities	27,315	60,502
	<b>2,253</b>	<b>70,829</b>
<b>Cash Used for Operating Activities</b>	<b>(331,251)</b>	<b>(2,421)</b>
<b>Investing Activities</b>		
Exploration and evaluation assets	(375,383)	-
Restricted cash	(14)	(16)
<b>Cash Used for Investing Activities</b>	<b>(375,397)</b>	<b>(16)</b>
<b>Financing Activities</b>		
Proceeds on issuance of share units, net	901,577	-
Share subscription received	5,000	-
Proceeds on exercise of warrants	5,000	-
<b>Cash Provided by Financing Activities</b>	<b>911,577</b>	<b>-</b>
<b>Inflow (Outflow) of Cash</b>	<b>204,929</b>	<b>(2,437)</b>
<b>Cash (Bank Indebtedness), Beginning of Year</b>	<b>(45)</b>	<b>2,392</b>
<b>Cash (Bank Indebtedness), End of Year</b>	<b>\$ 204,884</b>	<b>\$ (45)</b>

#### Supplemental cash flow information (note 13)

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

**Kestrel Gold Inc.**

(An Exploration Stage Company)

**Statements of Changes in Shareholders' Equity (Deficiency)**

(Expressed in Canadian Dollars)

	Number	Share capital	Share Subscription received	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)
Shares issued for settlement of accounts payable	5,018,700	301,122	-	-	-	411,132
Shares issued for settlement of convertible debentures	9,100,000	546,000	-	-	-	546,000
Private placements	22,666,666	1,100,000	-	-	-	989,990
Exercise of warrants	100,000	5,000	-	-	-	5,000
Share subscription received	-	-	5,000	-	-	5,000
Share issue costs	-	(146,201)	-	53,628	-	(92,573)
Stock-based compensation	-	-	-	252,758	-	252,758
Net loss for the year	-	-	-	-	(609,687)	(609,687)
<b>Balance, September 30, 2017</b>	<b>51,701,208</b>	<b>\$12,470,366</b>	<b>\$ 5,000</b>	<b>\$1,854,865</b>	<b>\$(13,476,988)</b>	<b>\$ 853,243</b>

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

# Kestrel Gold Inc.

(An Exploration Stage Company)

## Notes to Financial Statements

Years Ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

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### 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 and is trading on the TSX Venture Exchange (“TSX-V”) under the symbol “KGC”. The Company’s head office and records office are located at 208 – 110 12 Avenue SW, Calgary, Alberta, T2R 0G7.

The principal business activities include the acquisition, exploration and evaluation of mineral properties. The Company is exploring and evaluating mineral properties in the Yukon Territory and northern British Columbia, Canada, with the aim of bringing these properties to production. The underlying value of the mineral properties are dependent upon, among other things, the existence of economically recoverable reserves, the ability of Kestrel to secure 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. Kestrel is considered to be an exploration stage company, as it has not yet generated any revenue from operations.

These annual 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 as at September 30, 2017, has a deficit of \$13,476,988 (2016 - \$12,867,301). 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 the Company to meet its liabilities as they come due and to continue its operations, Kestrel is solely dependent upon its ability to generate additional equity and debt financing. These conditions may cast significant doubt about the Company’s ability to continue as a going concern.

There is no assurance at this time that Kestrel will be able to obtain the necessary financing to continue operations. If the Company is unable to obtain suitable financing in the near future, it will be necessary for Kestrel 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 Kestrel with or to a larger, better financed entity.

These annual 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.

# Kestrel Gold Inc.

(An Exploration Stage Company)

## Notes to Financial Statements

Years Ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

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### 2. Basis of Presentation

The financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss ("FVTPL"), which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These financial statements have been prepared in accordance with IFRS, as issued by the IASB. Significant accounting policies are described in note 3.

These financial statements are presented in Canadian dollars, unless otherwise stated, which is the Company's functional and reporting currency.

These financial statements were authorized for issue by the Board of Directors on December 20, 2017.

### 3. Significant Accounting Policies

#### (a) Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and judgments.

#### *Critical accounting estimates*

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

#### Restoration, rehabilitation and environmental provisions (asset retirement obligations ("ARO"))

Decommissioning and restoration obligation provisions represent management's best estimate of the present value of the future costs. Significant estimates and assumptions are made in determining the amount of obligation provisions. Those estimates and assumptions deal with uncertainties such as: requirements of the relevant legal and regulatory framework; the magnitude of possible disturbance; and the timing, extent and costs of required restoration and rehabilitation activity. These uncertainties may result in future actual expenditures differing from the amounts currently provided.

#### Accrued liabilities

Management makes estimates of obligations by the Company as a result of past transactions. The estimates are reviewed on an ongoing basis and revisions to the estimate are recognized in the period in which the estimate is revised.

#### Assumptions used in the calculation of the fair value assigned to share-based payments

The Company uses the Black-Scholes option pricing model for valuation of share-based payments. Option pricing models require the input of subjective assumptions, including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's equity reserves.

# Kestrel Gold Inc.

(An Exploration Stage Company)

## Notes to Financial Statements

Years Ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

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### 3. Significant Accounting Policies (continued)

#### (a) Critical Accounting Estimates and Judgments (continued)

##### *Critical accounting judgments*

Critical accounting judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

##### Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing expenditures, meet its liabilities for the ensuring year, and to fund planned and contractual exploration programs involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

##### Economic recoverability and profitability of future economic benefits of mineral property interests

Management has determined that exploration, evaluation and related costs incurred, which were capitalized, have future economic benefits and are economically recoverable. Where future economic benefits and economic recovery are determined to be below the carrying value, management has assessed impairment. Management uses several criteria in its assessment, including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans or the estimates of fair value based on market participants.

##### Recoverability of deferred tax assets

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of the financial statements.

#### (b) Exploration and Evaluation Assets

All costs related to the acquisition of, exploration for and development of mineral properties, net of recoveries, are capitalized on a property-by-property basis. If economically recoverable ore reserves are developed, capitalized costs of the related property will be reclassified as mineral assets and will be amortized using the unit-of-production method. When a property is abandoned, all related costs are written off to profit or loss. If, after management review, it is determined that the carrying amount of an exploration and evaluation asset is impaired, that property is written down to its estimated fair value. An exploration and evaluation asset is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

From time to time, the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. When the amount of recoveries exceeds the total amount of capitalized costs of the property, the amount in excess of costs is recorded in profit or loss.

# **Kestrel Gold Inc.**

(An Exploration Stage Company)

## **Notes to Financial Statements**

**Years Ended September 30, 2017 and 2016**

**(Expressed in Canadian Dollars)**

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### **3. Significant Accounting Policies (continued)**

#### **(c) Asset Retirement Obligations**

The Company recognizes an estimate of the liability associated with an ARO in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to profit or loss in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. The Company has no material AROs to record in the financial statements.

#### **(d) Share-based Payments**

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options granted to employees is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees, including finders' warrants, and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

#### **(e) Loss per Share**

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

Since the Company has losses, the exercise of outstanding options, warrants and convertible debentures has not been included in this calculation, as it would be anti-dilutive.

#### **(f) Valuation of Equity Units Issued in Private Placements and Non-Monetary Considerations**

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measured component, usually the common shares, and then the residual value, if any, to the warrants.

# **Kestrel Gold Inc.**

(An Exploration Stage Company)

## **Notes to Financial Statements**

**Years Ended September 30, 2017 and 2016**

**(Expressed in Canadian Dollars)**

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### **3. Significant Accounting Policies (continued)**

#### **(f) Valuation of Equity Units Issued in Private Placements and Non-Monetary Considerations (continued)**

The fair value of the common shares issued in a private placement were determined to be the more easily measurable component and were valued in accordance with Level 1 of the fair value hierarchy, as determined by the closing quoted bid price on the issuance date. The residual balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as share-based payments reserve.

Share issue costs are netted against gross proceeds.

Shares issued for non-monetary consideration are recorded at an amount based on the quoted market value of the Company's shares on the date of share issuance. Shares to be issued, which are contingent upon future events or actions, are recorded by the Company when it is reasonably determinable that the shares will be issued.

#### **(g) Income Taxes**

Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous periods.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### **(h) Provisions**

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

# Kestrel Gold Inc.

(An Exploration Stage Company)

## Notes to Financial Statements

Years Ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

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### 3. Significant Accounting Policies (continued)

#### (i) Financial Instruments

##### Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit and loss ("FVTPL")* – This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss. Included in FVTPL is cash and restricted cash.

*Loans and receivables* – These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

*Held-to-maturity investments* – These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment including impairment losses are recognized in profit or loss.

*Available-for-sale* – Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized through net loss.

All financial assets, except for those at FVTPL, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

##### Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss. Included in financial liabilities at FVTPL is bank indebtedness.

# Kestrel Gold Inc.

(An Exploration Stage Company)

## Notes to Financial Statements

Years Ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

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### 3. Significant Accounting Policies (continued)

#### (i) Financial Instruments (continued)

##### Financial liabilities (continued)

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities and convertible debentures are classified as other financial liabilities.

#### (j) Convertible Debentures

Convertible debentures are classified separately into financial liability and equity components in accordance with the substance of the contractual agreement. At the date of issue, the fair value of the liability component is estimated by discounting the cash flows using a discount rate that would have been applicable to non-convertible debt. This amount is recorded as a liability on an amortized cost basis until extinguished or upon conversion of the instrument. The equity component is determined by deducting the amount of the liability component from the face value of the convertible debenture. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured.

#### (k) Current and Future Accounting Changes

The following new standard has become effective during the current year.

##### (i) Disclosure Initiative (Amendments to IAS 1 *Presentation of Financial Statements*)

The amendments:

- Clarify the existing presentation and disclosure requirements in IAS 1, including the presentation of line items, subtotals and notes; and
- Provide guidance to assist entities to apply judgment in determining what information to disclose and how that information is presented in their financial statements.

The following new standards have been issued by the IASB, but are not yet effective:

##### (i) Disclosure Initiative (Amendments to IAS 7 *Statement of Cash Flows*)

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Effective for the Company's annual period beginning October 1, 2017.

## Kestrel Gold Inc.

(An Exploration Stage Company)

### Notes to Financial Statements

Years Ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

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#### 3. Significant Accounting Policies (continued)

##### (k) Current and Future Accounting Changes (continued)

- (ii) Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 *Income Taxes*)

The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

Effective for the Company's annual period beginning October 1, 2017.

- (iii) Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 *Share-based Payment*)

The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Effective for the Company's annual period beginning October 1, 2018.

- (iv) IFRS 9 *Financial Instruments*

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*  
Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".
- *Classification and measurement of financial liabilities:*  
When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

# Kestrel Gold Inc.

(An Exploration Stage Company)

## Notes to Financial Statements

Years Ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

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### 3. Significant Accounting Policies (continued)

#### (k) Current and Future Accounting Changes (continued)

##### (iv) IFRS 9 *Financial Instruments* (continued)

- *Impairment of financial assets:*  
An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at “amortized cost” or “fair value through other comprehensive income”, lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.
- *Hedge accounting:*  
Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

Effective for the Company’s annual period beginning October 1, 2018.

##### (v) IFRS 16 *Leases*

Earlier application permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers*.

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

## Kestrel Gold Inc.

(An Exploration Stage Company)

### Notes to Financial Statements

Years Ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

#### 3. Significant Accounting Policies (continued)

##### (k) Current and Future Accounting Changes (continued)

##### (v) IFRS 16 Leases (continued)

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Effective for the Company's annual period beginning October 1, 2019.

The Company has assessed the impact of adopting the above future accounting standard changes on its financial statements; the impact to the Company is not significant.

#### 4. Restricted Cash

As at September 30, 2017, the restricted cash of \$2,570 (2016 - \$2,556) is a term deposit held as collateral for the Company's credit card limits. The term deposit bears interest of 0.5% per annum and matures July 7, 2018.

#### 5. Exploration and Evaluation Assets

##### *Title to Exploration and Evaluation Asset Interests*

Title to exploration and evaluation asset interests involve certain inherent risks due to the difficulties of determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its interests are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers and rights of ownership may be affected by undetected defects.

	King Solomon Dome \$	Val-Jual \$	Clear Creek \$	Barney Ridge \$	Dease Lake \$	Total \$
Balance, September 30, 2016 and 2015	300,000	-	-	-	-	300,000
Acquisition costs		40,000	20,000	20,000	10,000	90,000
Exploration expenditures	-	311,475	14,891	29,575	32,240	388,181
Recoveries	(31,000)	-	-	-	-	(31,000)
<b>Balance September 30, 2017</b>	<b>269,000</b>	<b>351,475</b>	<b>34,891</b>	<b>49,575</b>	<b>42,240</b>	<b>747,181</b>

## **Kestrel Gold Inc.**

(An Exploration Stage Company)

### **Notes to Financial Statements**

**Years Ended September 30, 2017 and 2016**

**(Expressed in Canadian Dollars)**

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#### **5. Exploration and Evaluation Assets (continued)**

##### *King Solomon Dome*

On October 31, 2010, the Company entered into an option agreement pursuant to which it acquired an option to earn a 100% interest in the three individual properties located in the Yukon Territory's Klondike Goldfields: King Solomon Mine, Gold Run Creek Property and Dominion Mountain Property, collectively known as the King Solomon Dome Project ("KSD"). Each individual property is subject to a 2.5% net smelter return royalty, one-half of which can be purchased by the Company for \$1,000,000.

Due primarily to the Company's planned future activities on the KSD, as at September 30, 2017, indicators of impairment existed leading to a test of recoverable amount of the KSD, which resulted in no further impairment loss being recognized. A value in use calculation is not applicable as the Company does not have any expected cash flows from using the property at this stage of operations. The Company estimated the recoverable amount based on a fair value less cost to sell approach based on Level 3 of the fair value hierarchy.

##### *Val-Jual*

On May 2, 2017, the Company entered into an option agreement with Bernie Kreft to acquire a 100% interest in the Val-Jual property located approximately 70 kilometers southwest of Dawson City, Yukon. The Val-Jual property is bordered by the Dime property of White Gold Resources and K2 Gold's Flume property both of which are to be actively explored during 2017.

##### *Clear Creek and Barney Ridge*

During the year ended September 30, 2017, Kestrel entered into option agreements with Bernie Kreft to acquire the Clear Creek and Barney Ridge projects, both located east of Dawson City, Yukon, and the Dease Lake Copper/Gold Porphyry Project located south of Dease Lake, British Columbia. Each of the Clear Creek and Barney Ridge projects is subject to separate option agreement to acquire a 100% interest in each project.

Each project is subject to a 2.5% royalty payable to Bernie Kreft, which can be partially repurchased by the Company. Further, should a Preliminary Economic Assessment ("PEA") be completed, Kestrel will pay certain amounts to a maximum of \$2,500,000. Further, if a feasibility study is completed, Kestrel will pay certain amounts, less the amount paid for the PEA, up to a maximum of \$5,000,000, based on the amount of copper or gold contained in the properties.

## Kestrel Gold Inc.

(An Exploration Stage Company)

### Notes to Financial Statements

Years Ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

#### 5. Exploration and Evaluation Assets (continued)

The Company's obligations and commitments under the option agreements are:

Property	Val-Jual Ten Mile	Barney Ridge	Clear Creek	Dease Lake	Total Drilling Commitment
<b>Over the life of the project</b>					
Drilling – cash	\$500,000	\$300,000	\$300,000	\$80,000	\$1,180,000
Drilling – metres	2,500	2,500	2,500	4,000	11,500
<b>Royalties – Kreft</b>	1% with buy-down to 0.5% for \$750,000	2.5% with buy-down of 60% for \$1,500,000	2.5% with buy-down of 60% for \$1,500,000	2.5% with buy-down of 60% for \$1,500,000	
<b>Royalties – Sandstorm Gold</b>	1% no buy-down	None	None	None	
<b>Preliminary Economic Assessment</b>	\$0.75 per gold ounce to a max of \$2.5 million	\$0.75 per gold ounce to a max of \$2.5 million	\$0.75 per gold ounce to a max of \$2.5 million	\$0.02 per pound of copper to a max of \$2.5 million	
<b>Feasibility Study</b>	\$1.5 per gold ounce less any amount paid PEA to a max of \$5 million	\$1.5 per gold ounce less any amount paid PEA to a max of \$5 million	\$1.5 per gold ounce less any amount paid PEA to a max of \$5 million	\$0.04 per pound of copper to a max of \$5 million	

## Kestrel Gold Inc.

(An Exploration Stage Company)

### Notes to Financial Statements

Years Ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

#### 5. Exploration and Evaluation Assets (continued)

*Clear Creek and Barney Ridge (continued)*

The option payments due under the agreements are:

Property	Val-Jual Ten Mile	Barney Ridge	Clear Creek	Dease Lake	Total Annual Commitment
Date of payment	May 2	April 27	April 27	April 27	
Initial payment (2017, paid)	\$ 40,000	\$ 20,000	\$ 20,000	\$10,000	\$ 90,000
<b>Payments in subsequent years</b>					
2018 - cash	\$ 60,000	\$ 30,000	\$30,000	\$10,000	\$ 130,000
2019 - cash	\$ 80,000	\$ 50,000	\$ 50,000	\$10,000	\$ 190,000
2019 - common shares	200,000	250,000	250,000	-	700,000
2020 - cash	\$100,000	\$ 80,000	\$ 80,000	\$20,000	\$ 280,000
2020 - common shares	300,000	250,000	250,000	-	800,000
2021 - cash	\$220,000	\$120,000	\$120,000	\$40,000	\$ 500,000
2021 - common shares	1,000,000	500,000	500,000	-	2,000,000

#### 6. Convertible Debentures

<b>Balance, September 30, 2015</b>	<b>\$ 481,101</b>
Accretion interest	53,149
<b>Balance, September 30, 2016</b>	<b>534,250</b>
Interest	19,506
Shares issued to settle convertible debentures	(553,756)
<b>Balance, September 30, 2017</b>	<b>\$ -</b>

During the year ended September 30, 2014, the Company issued two \$150,000 convertible debentures. The aggregate principal amount of \$300,000 bears simple interest at a rate of 3% per annum, matures on October 22, 2016, is secured with a floating first charge against all of the assets and undertakings of the Company, and is convertible at any time at the option of the holders of the debentures into units of the Company at a deemed price of \$0.20 per unit. Each unit shall consist of one common share and one-half of one common share purchase warrant. Each full warrant shall entitle the holders thereof to purchase one additional warrant of the Company at an exercise price of \$0.40 on or before October 22, 2016.

## **Kestrel Gold Inc.**

(An Exploration Stage Company)

### **Notes to Financial Statements**

#### **Years Ended September 30, 2017 and 2016**

(Expressed in Canadian Dollars)

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#### **6. Convertible Debentures (continued)**

During the year ended September 30, 2015, the Company completed an unsecured convertible debenture financing for \$155,000. These unsecured convertible debentures bear simple interest at a rate of 20% per annum, mature January 16, 2016 and are convertible at any time at the option of the holders of the debentures into common shares of the Company at a deemed price of \$0.05 per share.

During the year ended September 30, 2017, the Company entered into debt settlement agreements with the debenture holders to settle \$553,756 in convertible debentures through the issuance of 9,100,000 common shares with a fair value of \$546,000 (note 7), resulting in a gain on settlement of convertible debentures of \$7,756.

#### **7. Share Capital**

##### **(a) Authorized**

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

##### **(b) Issued**

- (i) Kestrel entered into debt settlement agreements with various creditors to issue a total of 5,018,700 common shares with a fair value of \$301,122 and paid \$35,000 cash to settle amounts owing of \$324,447, resulting in a loss on settlement of accounts payable of \$11,675.

Amounts settled included \$161,821 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 settle the balance of \$553,756 of the convertible debentures in exchange for 9,100,000 common shares with a fair value of \$546,000, resulting in a gain on settlement of convertible debentures of \$7,756.
- (iii) On April 4, 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. In connection with this private placement, finders' fees of \$49,373 were paid.
- (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. In connection with this private placement, finders' fees of \$43,200 were paid, and 432,000 finders' warrants were issued with a fair value of \$53,628. These finders' warrants enable the holder to acquire one common share of the Company at \$0.15 for a period of two years.

As part of this private placement, \$110,010 of amounts due to officers and directors was settled through the issuance of 1,100,000 common share units at a fair value of \$0.10 per unit.

# Kestrel Gold Inc.

(An Exploration Stage Company)

## Notes to Financial Statements

Years Ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

### 7. Share Capital (continued)

#### (b) Issued (continued)

- (v) During the year ended September 30, 2017, 100,000 warrants were exercised at a price of \$0.05 per warrant for total gross proceeds of \$5,000. Further, \$5,000 was received relating to the exercise of a further 100,000 warrants with the same terms exercised subsequent to the year ended September 30, 2017.

#### (c) Stock Option Plan

On July 19, 2007, the Company adopted an incentive stock option plan, which provides that the Board of Directors of the Company may, from time to time, in its discretion, and in accordance with the TSX-V requirements, grant to directors, officers, employees and technical consultants of the Company, non-transferable options to purchase common shares of the Company provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to five years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any individual director, officer or employee will not exceed 5% of the issued and outstanding common shares and the number of common shares for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, technical consulting arrangement or employment was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option. The stock option plan is ratified annually by the shareholders of the Company at the annual general meeting.

As at September 30, 2017 and 2016, the following stock options were outstanding and exercisable:

		2017	2016
Expiry Date	Exercise Price	Number of Options	Number of Options
April 4, 2022	\$0.05	4,400,000	-

Continuity of stock options is as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance at September 30, 2016 and 2015	-	-
Issued	4,400,000	\$0.05
<b>Balance at September 30, 2017</b>	<b>4,400,000</b>	<b>-</b>

The weighted average remaining contractual life for warrants outstanding at September 30, 2017 is 4.51 years. There were no options outstanding as at September 30, 2016.

## Kestrel Gold Inc.

(An Exploration Stage Company)

### Notes to Financial Statements

Years Ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

#### 7. Share Capital (continued)

##### (c) Stock Option Plan (continued)

During the year ended September 30, 2017, the Company granted 4,400,000 options to directors, officers and consultants, exercisable until April 4, 2022 at an exercise price of \$0.05 per option and vesting immediately. Of this, 4,150,000 was issued to key management (note 8). The fair value of the options granted was \$252,758, determined using the Black-Scholes option pricing model with the following weighted average assumptions:

	2017
Expected life (years)	5
Grant date fair value per share	\$0.06
Interest rate	1.06%
Volatility	178%
Dividend yield	0%

The expected volatility is based on historical prices of the Company. The risk-free rate of return is the yield on a zero-coupon Canadian treasury bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche.

Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 0% in determining the expense recorded in the accompanying statements of loss and comprehensive loss.

##### (d) Share Purchase Warrants

The weighted average remaining contractual life for warrants outstanding at September 30, 2017 is 2.30 years. There were no warrants outstanding as at September 30, 2016.

As at September 30, 2017 and 2016, the following stock options were outstanding and exercisable:

		2017	2016
Expiry Date	Exercise Price	Number of Warrants	Number of Warrants
June 21, 2019	\$0.05	16,566,666	-
April 3, 2020	\$0.15	6,432,000	-
		22,998,666	-

## Kestrel Gold Inc.

(An Exploration Stage Company)

### Notes to Financial Statements

Years Ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

#### 7. Share Capital (continued)

##### (d) Share Purchase Warrants (continued)

Continuity of share purchase warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at September 30, 2016 and 2015	-	-
Issued Private Placement	16,666,666	\$0.05
Issued Private Placement	6,432,000	\$0.15
Exercised	(100,000)	\$0.05
<b>Balance at September 30, 2017</b>	<b>22,998,666</b>	<b>\$0.08</b>

The Company applies the fair value method using option pricing models in accounting for its warrants issued as compensation. The expected volatility is based on historical prices of the Company. The risk-free rate of return is the yield on a zero-coupon Canadian treasury bill of a term consistent with the assumed warrant life. The expected average warrant term is the average expected period to exercise, based on the historical activity patterns.

The fair value of finders' warrants issued during the years ended September 30, 2017 and 2016 was calculated using the following weighted average assumptions:

	2017	2016
Expected life (years)	2	N/A
Grant date fair value per share	\$0.16	N/A
Interest rate	0.91%	N/A
Volatility	169%	N/A
Dividend yield	0%	N/A

#### 8. Related Party Transactions

The Company entered into the following transactions with related parties during the years ended September 30, 2017 and 2016:

	2017	2016
Debt settled through issuance of shares and units	\$ 271,831	\$ -

## Kestrel Gold Inc.

(An Exploration Stage Company)

### Notes to Financial Statements

Years Ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

#### 8. Related Party Transactions (continued)

##### Key Management Compensation

Key management personnel are individuals responsible for planning, directing and controlling the activities of the Company, and include certain directors and officers. Key management compensation comprises:

	2017	2016
Short-term benefits	\$ 112,850	\$ 21,100
Share-based payments (note 7)	\$ 238,297	\$ -

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the years ended September 30, 2017 and 2016.

Short-term benefits comprise of management fees.

As at September 30, 2017, \$4,763 (2016 - \$363,405) is included in accounts payable and accrued liabilities due to related parties.

All advances and amounts due to related parties have repayment terms similar to the Company's other accounts receivable and payable, and are unsecured and without interest.

All of the above transactions and balances are in the normal course of operations.

#### 9. Income Taxes

The reconciliation of income tax at the Canadian statutory rate of 26.0% (2016 - 26.0%) with the reported taxes is as follows for the years ended September 30:

	2017	2016
Loss before tax	\$ (609,687)	\$(126,399)
Statutory income tax rate	26.00%	26.00%
Expected income tax recovery	(158,519)	(32,864)
Items non-deductible for tax purposes	66,895	-
Adjustment related to prior years	1,144	-
Unused tax losses and tax offsets	90,480	32,864
Income tax recovery	\$ -	\$ -

## Kestrel Gold Inc.

(An Exploration Stage Company)

### Notes to Financial Statements

Years Ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

#### 9. Income Taxes (continued)

The Company recognizes tax benefits on losses or other deductible amounts where it is probable that taxable income will be able to utilize deferred tax assets. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2017	2016
Non-capital loss carry-forwards	\$6,038,000	\$5,649,000
Share issue costs	116,000	12,000
Cumulative eligible capital	111,000	111,000
Mineral property interests	768,000	768,000
Net capital loss carry-forward	26,000	26,000
	<b>\$7,004,000</b>	<b>\$6,566,000</b>

The Company has capital losses of \$26,000, which can be carried forward indefinitely, and non-capital losses of \$6,038,000 that may be carried forward to apply against future years' income for Canadian income tax purposes in certain jurisdictions. These losses expire as follows:

2028	\$	30,000
2029		113,000
2030		542,000
2031		2,570,000
2033		1,090,000
2034		807,000
2035		347,000
2036		150,000
2037		389,000
	<b>\$</b>	<b>6,038,000</b>

#### 10. Capital Management

The Company considers its capital under management to be comprised of shareholders' equity. The primary objective of the Company's capital management is to ensure that it maintains a conservative capital ratio in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, based on available funds to the Company and changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new shares or debt securities. The Company is not subject to externally imposed capital requirements.

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 has been no change to the Company's approach to capital management during the year ended September 30, 2017.

## **Kestrel Gold Inc.**

(An Exploration Stage Company)

### **Notes to Financial Statements**

**Years Ended September 30, 2017 and 2016**

**(Expressed in Canadian Dollars)**

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#### **11. Financial Instruments and Risk**

The Company's financial instruments consists of cash, accounts receivable, restricted cash, bank indebtedness, accounts payable and accrued liabilities, and the liability portion of convertible debentures. The fair values of these financial instruments approximate their carrying values, unless otherwise noted. Cash, restricted cash, bank indebtedness, and accounts payable and accrued liabilities are measured based on Level 1 of the fair value hierarchy. Convertible debenture upon issuance was measured based on Level 2 of the fair value hierarchy.

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

##### *Credit risk*

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash, restricted cash and receivables. The Company limits its exposure to credit loss by placing its cash with major financial institutions, and accounts receivable is held with the Canadian government.

##### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2017, the Company had cash of \$204,884 (2016 – bank indebtedness of \$45) and current liabilities of \$128,203 (2016 - \$958,682). The Company's cash is held with major financial institutions. The Company's accounts payable and accrued liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company will be required to raise additional equity or debt to settle the Company's financial liabilities.

##### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and commodity prices. The Company is not subject to significant market risk.

#### **12. Segment Information**

The Company has one operating segment, mineral exploration and evaluation. All of the Company's non-current assets are located in Canada.

## Kestrel Gold Inc.

(An Exploration Stage Company)

### Notes to Financial Statements

Years Ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

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#### 13. Supplemental Cash Flow Information

	2017		2016	
Fair value of finders' warrants issued	\$	53,628	\$	-
Exploration and evaluation assets included in accounts payable	\$	96,798	\$	25,000
Fair value of shares issued to settle accounts payable	\$	301,122	\$	-
Fair value of shares issued to settle convertible debentures	\$	546,000	\$	-
Due to related party settled through issuance of units through private placement	\$	110,010	\$	-
Share issuance costs included in accounts payable	\$	4,160	\$	-

#### 14. Subsequent Events

In October 2017, 600,000 warrants were exercised at a price of \$0.05 per warrant for total proceeds of \$30,000.