

Kestrel Gold Inc
(An Exploration Stage Company)

Condensed Interim Financial Statements
(Unaudited)

For the Nine Months Ended June 30, 2018
Expressed in Canadian Dollars

Notice of No Auditor Review of Unaudited Condensed Interim Financial Statements

The accompanying unaudited condensed interim financial statements of Kestrel Gold Inc. (the "Company") have been prepared by and are the responsibility of the Company's management. These financial statements have not been reviewed by the Company's external auditors.

Calgary, Alberta
August 27, 2018

Kestrel Gold Inc

(An Exploration Stage Company)

Condensed Interim Statements of Financial Position (Unaudited)

	Note	June 30 2018	September 30 2017
Assets			
Current			
Cash		\$ 186,289	\$ 204,884
Accounts receivable		12,873	26,811
		199,162	231,695
Restricted cash	3	2,570	2,570
Exploration and evaluation assets	4	847,734	747,181
		\$ 1,049,466	\$ 981,446
Liabilities			
Current			
Accounts payable and accrued liabilities		\$ 18,697	\$ 128,203
		18,697	128,203
Shareholders' Equity			
Share capital	5	12,919,553	12,470,366
Share subscription received		-	5,000
Other equity reserves		1,854,865	1,854,865
Deficit		(13,743,649)	(13,476,988)
		1,030,769	853,243
		\$ 1,049,466	\$ 981,446

Nature of operations - Note 1

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

Approved on behalf of the Board:

Signed "Robert Solinger"

Director

Signed "Pat Lynch"

Director

Kestrel Gold Inc
(An Exploration Stage Company)
Condensed Interim Statements of Loss
(Unaudited)

	For the three months ended June 30, 2018		For the three months ended June 30, 2017		For the Nine months ended June 30, 2018		For the Nine months ended June 30, 2017
Expenses							
Stock base compensation	\$ -	\$	220,000	\$	-	\$	220,000
Management & consulting fees	20,123		70,000		109,672		98,000
Investor relations & website	1,640		37,919		53,935		44,233
Listing and filing fees	1,959		7,596		11,672		17,246
Professional fees	11,161		2,946		31,970		11,509
Office and administration	1,569		4,132		6,038		5,410
Travel and promotion	135		1,072		2,062		4,009
Bank charges	179		872		811		1,710
Gain on debt settlement	-		(65,452)		-		(94,011)
Impairment	-		-		50,500		-
Comprehensive Loss	\$ 36,766	\$	279,085	\$	\$ 266,660	\$	308,106
Loss per Share	\$ 0.00	\$	0.00	\$	\$ 0.00	\$	0.01
Weighted average number of common shares outstanding	61,284,208		44,338,276		56,396,754		24,822,142

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

Kestrel Gold Inc

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Condensed Interim Statements of Cash Flows (Unaudited)

	Nine months ended June 30, 2018	Nine months ended June 30, 2017
Cash used in operating activities		
Net loss for the period	\$ (266,660)	\$ (308,106)
Items not affecting cash:		
Impairment charge	50,500	-
Stock-based compensation	-	220,000
Gain on debt settlement	-	(94,011)
	(216,160)	(182,117)
Change in non-cash working capital	(95,569)	(70,489)
	(311,729)	(252,606)
Financing activities		
Proceeds on issuance of share capital	444,187	954,337
	444,187	954,337
Investing activities		
Exploration and evaluation assets	(151,053)	(86,761)
	(151,053)	(86,761)
Change in cash during the period	(18,595)	614,970
Cash - beginning of period	204,884	2,511
Cash - end of period	\$ 186,289	\$ 617,481

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Kestrel Gold Inc

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

	Number	Share capital	Share subscription received	Other equity reserves	Deficit	Total
Balance, September 30, 2016	14,815,842	\$10,664,445	-	\$1,548,479	\$(12,867,301)	\$(654,377)
Conversion of debentures	5,018,700	250,935	-	-	-	250,935
Private placements	9,100,000	455,000	-	-	-	455,000
Share issue costs	22,666,666	1,100,000	23,098,666	-	-	1,100,000
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
Balance, September 30, 2017	51,701,208	12,470,366	5,000	1,854,865	(13,476,989)	853,243
Exercise of warrants	2,083,000	99,150	(5,000)	-	-	94,150
Private placement	7,500,000	350,036	-	-	-	350,036
Net loss for the period	-	-	-	-	(266,660)	(266,660)
Balance, June 30, 2018	61,284,208	\$12,919,553	-	\$1,854,865	\$(13,743,649)	\$ 1,030,769

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

Kestrel Gold Inc

(An Exploration Stage Company)

Notes to Condensed Interim Financial Statements (Unaudited)

(Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

Kestrel Gold Inc. (“Kestrel” or the “Company”) was incorporated under the *Business Corporations Act* of Alberta 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. Kestrel is engaged in the exploration and evaluation of mineral properties in northern Canada.

Kestrel is considered to be an exploration stage company, 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 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 condensed 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.

2. Basis of Presentation

(a) Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, as issued by the International Accounting Standards Board (“IASB”), including International Accounting Standard 34 - Interim Financial Reporting. These condensed in the financial statements do not contain all of the information required for full annual financial statements. The condensed interim financial statements should be read in conjunction with the Company’s annual financial statements for the year ended September 30, 2018, which have been prepared in accordance with IFRS as issued by the IASB.

These financial statements were authorized for issue by the Board of Directors on August 27, 2018.

Kestrel Gold Inc

(An Exploration Stage Company)

Notes to Condensed Interim Financial Statements

(Unaudited)

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Accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. Differences may be material.

3. Restricted Cash

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

4. Exploration and evaluation assets

Kestrel has entered into various option agreements pursuant to which it will acquire a 100% interest in the properties noted below, the annual obligations for fulfilling the option agreements for each property are detailed in the September 30, 2018 annual financial statements.

	King Solomon Dome \$	Val-Jual \$	Clear Creek \$	Barney Ridge \$	Dease Lake \$	Total \$
Balance, September 30, 2016	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)
Balance September 30, 2017	269,000	351,475	34,891	49,575	42,240	747,181
Exploration expenditures	900	100,880	35,948	925	12,400	151,053
Impairment	-	-	-	(50,500)	-	(50,500)
Balance June 30, 2018	269,900	452,355	70,839	-	54,640	847,734

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5. Share Capital

The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

During the nine months ended June 30, 2018, the Company issued 2,083,000 common shares on the exercise of warrants for proceeds of \$94,150 and 7,500,000 common shares for net proceeds of \$350,036, pursuant to a non-brokered private placement of units at a price of \$0.05 per unit, each unit is comprised of one common share and one common share purchase warrant entitling the holder to acquire one common share at an exercise price of \$0.05 per common share.

As at June 30, 2018, the following stock options were outstanding and exercisable:

		2018	2017
Expiry Date	Exercise Price	Number of Options	Number of Options
April 4, 2022	\$0.05	4,400,000	-

As at June 30, 2018, the following common share purchase warrants were outstanding and exercisable:

		2018	2017
Expiry Date	Exercise Price	Number of Warrants	Number of Warrants
June 21, 2019	\$0.05	13,883,666	-
April 3, 2020	\$0.15	6,432,000	-
March 4, 2020	\$0.05	7,500,000	-
		27,815,666	-

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6. Related Party Transactions

The Company entered into the following transactions with related parties during the periods ended June 30, 2018:

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:

	2018	2017
Short-term benefits	\$ 100,000	\$ 98,000

Short-term benefits comprise of management fees.

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

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

7. Capital Management

Kestrel 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. Kestrel manages its capital structure and adjusts 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 period ended June 30, 2018.

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8. Financial Instruments and Risk

The Company's financial instruments consists of cash, accounts receivable, restricted cash, bank indebtedness, accounts payable and accrued liabilities. 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.

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 June 30, 2018, the Company had cash of \$186,289 and current liabilities of \$18,697. 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.

9. Segment Information

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