

**Kestrel Gold Inc**  
(An Exploration Stage Company)

**Condensed Interim Financial Statements**  
(Unaudited)

**For the Nine Months Ended June 30, 2019**  
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 29, 2019

# Kestrel Gold Inc

(An Exploration Stage Company)

## Condensed Interim Statements of Financial Position

(Unaudited)

(Expressed in Canadian Dollars)

	Note	June 30 2019	September 30 2018
<b>Assets</b>			
<b>Current</b>			
Cash		\$ 12,811	\$ 108,840
Accounts receivable		5,318	17,228
		<b>18,129</b>	126,068
Exploration and evaluation assets	3	-	608,097
		<b>\$ 18,129</b>	<b>\$ 734,165</b>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		\$ 45,358	\$ 53,692
		<b>45,358</b>	<b>53,692</b>
<b>Shareholders' Equity</b>			
Share capital	4	12,910,345	12,910,345
Other equity reserves		1,864,073	1,864,073
Deficit		(14,801,647)	(14,093,945)
		<b>(27,229)</b>	680,473
		<b>\$ 18,129</b>	<b>\$ 734,165</b>

Nature of operations - Note 1

Subsequent event – Note 4

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

Approved on behalf of the Board:

Signed "Robert Solinger"

Director

Signed "Patrick Lynch"

Director

# Kestrel Gold Inc

(An Exploration Stage Company)

## Condensed Interim Statements of Loss (Unaudited)

	For the three months ended June 30, 2019	For the three months ended June 30, 2018	For the Nine months ended June 30, 2019	For the Nine months ended June 30, 2018
<b>Expenses</b>				
Impairment	\$ -	\$ -	\$ 629,546	\$ -
Consulting fees	14,537	20,123	51,225	109,672
Investor relations & website	2,183	1,640	11,297	53,935
Listing and filing fees	103	1,659	9,731	11,672
Office and administration	395	1,569	2,576	6,038
Professional fees	-	11,161	1,672	31,970
Travel and promotion	-	135	1,431	2,062
Bank charges	90	179	224	872
<b>Comprehensive Loss</b>	\$ 17,308	\$ 36,766	707,702	266,660
<b>Loss per Share</b>	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.00
<b>Weighted average number of common shares outstanding</b>	61,284,208	55,641,552	61,284,208	56,396,754

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

# Kestrel Gold Inc

(An Exploration Stage Company)

## Condensed Interim Statements of Cash Flows

(Unaudited)

(Expressed in Canadian Dollars)

	Nine months ended June 30, 2019	Nine months ended June 30, 2018
<b>Operating Activities</b>		
Net loss for the period	\$ (707,702)	\$ (266,660)
Items not affecting cash		
Impairment charge	629,546	50,500
	(78,156)	(216,160)
<b>Change in non-cash working capital</b>	<b>3,576</b>	<b>(95,569)</b>
	<b>(74,580)</b>	<b>(311,729)</b>
<b>Investing Activities</b>		
Exploration and evaluation assets	(21,449)	(151,053)
<b>Cash Used for Investing Activities</b>	<b>(21,449)</b>	<b>(151,053)</b>
<b>Financing Activities</b>		
Proceeds on issuance of share capital	-	444,187
<b>Cash Provided by Financing Activities</b>	<b>-</b>	<b>444,187</b>
<b>Change in cash during the period</b>	<b>(96,029)</b>	<b>(18,595)</b>
<b>Cash, Beginning of Year</b>	<b>108,840</b>	<b>204,884</b>
<b>Cash, End of the Period</b>	<b>\$ 12,811</b>	<b>\$ 186,289</b>

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

## Kestrel Gold Inc

(An Exploration Stage Company)

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

(Unaudited)

(Expressed in Canadian Dollars)

	Number	Share capital	Share Subscription received	Other equity reserves	Deficit	Total
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)
September 30, 2017	51,701,208	12,470,366	5,000	1,854,865	(13,476,988)	853,243
Exercise of warrants	2,083,000	104,150	(5,000)	-	-	99,150
Private placements	7,500,000	375,000	-	-	-	375,000
Share issue costs	-	(39,171)	-	9,208	-	(29,963)
Net loss for the year	-	-	-	-	(616,957)	(616,957)
September 30, 2018	61,284,208	\$12,910,345	\$ -	\$ 1,864,073	\$ (14,093,945)	\$ 680,473
Net loss for the period	-	-	-	-	(707,702)	(707,702)
<b>June 30, 2019</b>	<b>61,284,208</b>	<b>\$12,910,345</b>	<b>-</b>	<b>\$1,864,073</b>	<b>(14,801,647)</b>	<b>(27,229)</b>

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)

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### 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 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 interim 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 29, 2019.

# Kestrel Gold Inc

(An Exploration Stage Company)

## Notes to Condensed Interim Financial Statements

(Unaudited)

(Expressed in Canadian Dollars)

### 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. 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 \$
<b>September 30, 2016</b>	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>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>
Acquisition costs	-	60,000	30,000	-	10,000	100,000
Exploration expenditures	900	63,364	8,727	2,837	2,400	78,228
Impairment	(264,900)	-	-	(52,412)	-	(317,312)
<b>September 30, 2018</b>	5,000	474,839	73,618	-	54,640	608,097
Exploration expenditures	6,921	7,991	3,200	-	3,337	21,449
Impairment	11,921	482,830	76,818	-	57,977	629,546
<b>June 30, 2019</b>	-	-	-	-	-	-

The Company was unable to pay the 2019 option payments, totaling \$140,000, on the Val-Jual, Clear Creek and Dease Lake properties accordingly the properties have been written down to a nil value.

Kestrel's King Solomon Dome property remains in good standing and the Company intends to spend a portion of the proceeds from the private placement described in Note 4 on the property.

### 4. 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.

## Kestrel Gold Inc

(An Exploration Stage Company)

### Notes to Condensed Interim Financial Statements

(Unaudited)

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As at June 30, 2019 Kestrel had 61,284,208 common shares outstanding, no common shares were issued during the nine months ended June 30, 2019.

On August 12, 2019, the Company announced that it proposes to offer by way of a non-brokered private placement up to 5,555,556 units ("Units") at a price of \$0.018 per Unit to raise gross proceeds of up to \$100,000 (the "Offering"). Each Unit will consist of one common share and one common share purchase warrant ("Warrant"), with each Warrant entitling the holder to acquire, for a period of 60 months from the date of issue, one common share at an exercise price of \$0.05 per common share.

Proceeds from the private placement will be used for finders' fees of up to \$8,000, exploration expenses of \$25,000, professional fees of \$36,000, filing fees and annual meeting expenses of \$15,000, accounts payable of \$10,000 and other expenses of \$6,000.

As at June 30, 2019, the following stock options were outstanding and exercisable:

		2019	2018
Expiry Date	Exercise Price	Number of Options	Number of Options
April 4, 2022	\$0.05	1,650,000	4,400,000

As at June 30, 2019, the following common share purchase warrants were outstanding and exercisable:

		2019	2018
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	6,432,000
Feb. 27, 2020	\$0.05	6,156,000	-
Mar.4, 2020	\$0.05	1,600,000	-
		14,188,000	22,398,666

## 6. Related Party Transactions

The Company entered into the following transactions with related parties during the period ended June 30, 2019:

# Kestrel Gold Inc

(An Exploration Stage Company)

## Notes to Condensed Interim Financial Statements

(Unaudited)

(Expressed in Canadian Dollars)

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### 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:

	2019	2018
Short-term benefits	\$ 45,000	\$ 100,000

Short-term benefits comprise of management fees. For the nine months ended June 30, 2019, \$15,000 was paid in cash and \$30,000 was accrued as owing.

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.

### 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 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 period ended June 30, 2019.

# Kestrel Gold Inc

(An Exploration Stage Company)

## Notes to Condensed Interim Financial Statements

(Unaudited)

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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, 2019, the Company had cash of \$12,811, accounts receivable of \$5,318 and current liabilities of \$45,358. 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.