

**Kestrel Gold Inc.**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2020**

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This Management Discussion and Analysis ("MD&A") of Kestrel Gold Inc. ("Kestrel" or the "Company") is dated December 17, 2020 and should be read in conjunction with the audited financial statements of the Company for the year ended September 30, 2020.

The Company's financial statements have been prepared on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company's ability to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. While the Company is extending its best efforts in this regard, the outcome of these matters cannot be predicted at this time. The accompanying audited annual financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

### **Business Overview**

Kestrel Gold Inc. is a Canadian listed public company with its shares trading on the TSX Venture Exchange under the symbol "KGC". The Company's registered and head office is Suite 208, 110 - 12th Avenue SW, Calgary, Alberta, T2R 0G7.

Kestrel is an early-stage resource exploration company engaged in the acquisition and exploration of mineral properties in Western Canada. Its primary objective is to enhance shareholder value through the acquisition and development of early-stage exploration projects.

As at September 30, 2020 the Company had one property King Solomons Dome, subsequently Kestrel entered into three separate option agreements to acquire a 100% interest in QCM, Sixtymile and Grabben, refer to the Properties section.

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.kestrelgold.com](http://www.kestrelgold.com).

### **Forward Looking Information and Risk Factors**

This MD&A includes some statements that may be considered "forward-looking statements". All statements in this discussion that address the Company's expectations about future exploration and development are forward-looking statements. Although the Company believes the expectations presented in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploration results, availability of capital and financing, and general economic, market, and business conditions. Readers are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

In addition, there are also known and unknown risk factors which may cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation risks related to:

- Kestrel's lack of revenues from operations and its continued ability to fund ongoing and planned exploration and possible future mining operations;

- the Company's history of losses, which will likely continue to occur in the future;
- Kestrel's ability to raise money in the future to fund its ongoing operations and fulfill its expenditure commitments pursuant to the various option agreements;
- the possibility of delays in exploration or development programs and uncertainty of meeting anticipated program milestones and the Company's ability to successfully establish mining operations or profitably produce precious or other metals;
- actual capital costs, operating costs, production and economic returns, and uncertainty that any possible future development activities will result in profitable mining operations;
- mineral resource figures being estimates based on interpretations and assumptions which may result in less mineral production under actual conditions than is currently estimated;
- changes in the market price of gold and silver, and other minerals which in the past have fluctuated widely and which could affect the profitability of possible future operations and financial condition;
- currency fluctuations;
- interpretation of drill results and the geology, continuity and grade of mineral deposits;
- the inherently dangerous activity of mining, including conditions or events beyond the Company's control;
- uncertainty in Kestrel's ability to obtain and maintain certain permits necessary for current and anticipated operations;
- the Company being subject to environmental laws and regulations which may increase the costs of doing business and/or restrict operations;
- the uncertainty in the Company's ability to attract and maintain qualified management and other personnel to meet the needs of anticipated growth and risks relating to its ability to manage growth effectively;
- the Company's mineral properties being subject to prior unregistered agreements;
- transfers, or claims and other defects in title;
- increased competition that could adversely affect the Company's ability to attract necessary capital funding or acquire suitable properties for mineral exploration in the future;
- officers and directors becoming associated with other natural resource companies which may give rise to conflicts of interests;
- the volatility of the Company's Common Share price and volume;
- potential claims by indigenous people over the Company's mineral properties;
- the ability of the Company to obtain regulatory, shareholder and other third-party approvals related to proposed acquisitions.

## **Basis of Presentation**

### **Basis of Measurement**

The audited financial statements have been prepared on the historical cost basis except for the financial instruments at fair value through profit or loss which are measured at fair value. In addition, the financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### **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 of 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:

##### **Accrued liabilities**

Management makes estimates of obligations to 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.

#### **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 for its ongoing expenditures, meet its liabilities for the ensuing 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 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 have recorded an 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, activity on adjacent properties and the estimates of fair value based on information from market participants.

## **Going concern**

For the year ended September 30, 2020, the Kestrel incurred a net loss of \$264,176, had working capital of \$243,831 and had an accumulated deficit of \$15,078,665. The Company is an early-stage resource exploration company. It has no sources of revenue, therefore its ability to continue to meet its obligations, conduct exploration activities and continue as a going concern is dependent upon its ability to raise additional capital to fund exploration activities and meet its obligations. There is no assurance at this time that Kestrel 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 Kestrel's assets or the merger, amalgamation or sale of the Company with or to a larger, better financed entity.

These financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis assumes that Kestrel will continue operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. If the going concern assumption is not appropriate for these financial statements, then material adjustments would be necessary to the carrying amounts of the assets and liabilities and the reported expenses and balance sheet classifications.

## **Report on Operations**

### **2020 Highlights**

During the year ended September 30, 2020, Kestrel raised additional funds and undertook further exploration at KSD including sampling and drilling these activities are summarized below:

- Kestrel completed a private placement on September 2, 2020, for gross proceeds of \$297,500, and net proceeds of \$282,943;
- The Company received proceeds of \$116,150 on the exercise of 2,323,000 warrants;
- Kestrel settled \$35,000 owing to an officer and director by issuing 1,000,000 common shares;
- The Company undertook a sampling program at KSD and commenced an RC drilling program which was completed in October, analysis of the drill results is pending.

Subsequent to September 30, 2020 Kestrel entered into the following transactions:

- On October 26, 2020, Kestrel entered into option agreements to earn a 100% interest in the Grabben Gold and Sixtymile properties located within the Yukon portion of the Tintina Gold Belt. Creeks draining from both properties have produced significant amounts of placer gold and Kestrel will be evaluating their potential to host economic bedrock sources for this gold.

To exercise the options and earn a 100% interest in each individual property Kestrel will issue 1,000,000 common shares, 200,000 due on signing, make cash payments totaling \$100,000, \$5,000 due on signing, and complete \$600,000 of exploration work, \$80,000 by the first anniversary of signing, over a four-year term. Each property is subject to a 2% NSR, 50% of which can be purchased by Kestrel for \$1,000,000. All share issuances, cash payments and exploration work requirements are at the sole discretion of Kestrel.

- On November 16, 2020, the Company issued 3,875,000 units at a price of \$0.08 per unit, for gross proceeds of \$310,000, each unit is comprised of one common share and one half a common share purchase warrant exercisable at \$0.16 per share for a period of 18 months and a price of \$0.20 for an additional six months.
- On December 15, 2020, Kestrel entered into an option agreement to earn a 100% interest in the QCM property located in northern British Columbia.

To exercise the option and earn a 100% interest in the property Kestrel will issue 4,000,000 common shares, 400,000 due on signing, make cash payments totaling \$150,000, \$10,000 due on signing, and complete \$1,400,000 of exploration work, \$50,000 by the first anniversary of signing, over a four-year term. Each property is subject to a 2% NSR, 50% of which can be purchased by Kestrel for \$1,000,000. All share issuances, cash payments and exploration work requirements are at the sole discretion of Kestrel.

## Exploration and Evaluation Assets

As at September 30, 2020 Kestrel had one property King Solomon Dome, subsequent to the September 30, 2020 the Company entered into option agreements to acquire a 100% working interest in three new properties: Sixtymile, Grabben and QCM.

### King Solomon Dome

On October 31, 2010, the Company entered into an option agreement pursuant to which it acquired the right 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.

#### KSD 2020 Activities

On October 21, 2019, the Company entered into an agreement to purchase approximately 250 acres adjacent to its existing KSD property for \$10,000 plus a 1% net smelter royalty. Kestrel may purchase up to 0.5% of the net smelter royalty for a purchase price of \$125,000.

Kestrel's YMEP application was approved by the Yukon government in July 2020, under the YMEP program, the Yukon government provides successful grant applicants with funding to support mineral exploration activities. The Company's application was for \$53,700 which will be reimbursed by the Yukon government at a rate of 60% of the expenditures to a maximum of \$32,200. Receipt of the grant is expected in calendar 2021 upon submission of final report.

The Company's summer 2020 sampling at KSD targeted an orogenic-style north-south trending quartz vein system located over an approximate 1.0 kilometer east-west by 2.2 kilometer north-south area, with the preliminary program providing prospecting coverage of gold and silver bearing soil geochemical anomalies and showings within this area. Quartz veins at KSD often occur in sheeted arrays, are commonly limonitic, occasionally sulphide bearing and range up to 2.1 meters in width but are more commonly 10-20 centimeters wide. Wallrock to veins is occasionally pyritic, iron carbonate altered and silicified. During the course of the program fine visible gold was noted along the margin of a 10-centimetre-wide quartz vein located in the collar of a shaft dating from 1911. Sampling of quartz veins returned values ranging from <0.005 to 305.7 g/t Au and <0.3 to 1,302 g/t Ag. Sampling of wallrock to the quartz veins returned values ranging from <0.005 to 5.075 g/t Au and <0.3 to 7.7 g/t Ag.

In late September 2020, Kestrel commenced a drilling program which was completed in **October 2020**, resulting in a total of 12 holes and approximately 515 meters of drilling. Samples have been submitted to the Bureau Veritas sample preparation facility in Whitehorse, Yukon, with analyses to be completed by Bureau Veritas at their Vancouver facility. Results are to be released once they are received, compiled and interpreted.

## Capital Expenditures

During the year ended September 30, 2020, the Company made net exploration expenditures of \$121,441 (2019 - \$8,521).

	2020	2019
	\$	\$
Drilling	66,000	-
Assaying	18,000	-
Sampling	14,000	-
Acquisition	12,441	8,521
Trenching	11,000	-
Total	<u>121,441</u>	<u>8,521</u>

## Properties acquired subsequent to September 30, 2020

Kestrel entered into option agreements with respect to the three properties noted below:

### Grabben Property Highlights

- Property consists of 65 claims totaling approximately 1,300 hectares.
- Geology consists of a sequence of sedimentary rocks ranging from conglomerate to siltstone intruded by intermediate intrusive bodies; both intrusive and sedimentary rocks are variably clay altered and bleached and contain disseminated, vein and fracture-controlled sulphide mineralization.
- Rock sampling has returned up to 8.35 g/t gold and 810 g/t silver.
- Soil sampling has returned up to 0.598 g/t gold and 12.6 g/t silver.
- No drilling and only limited hand trenching has been completed to date.
- Trace element geochemistry shows anomalous amounts of arsenic, lead, antimony and bismuth associated with elevated precious metals values, with this pathfinder suite suggestive of potential for an intrusion-related gold system.

### Sixtymile Property Highlights

- Property consists of 136 claims totaling approximately 2,600 hectares, covering the headwaters of several heavily placer mined creeks within the Sixtymile placer goldfields.
- A total of seven bedrock zones or float trains of variably bleached, clay altered and silicified quartz breccias, stockworks and veins have been identified to date.
- The presence of occasionally intense silicification, breccias and stockworks with vuggy quartz, fluorite, crustiform banding, cockade breccias, and extremely fine-grained sulphide mineralization, is together strongly suggestive of an epithermal origin for alteration and mineralization noted on the property.
- Rock sampling has returned values up to 1.67 g/t gold and 12.3 g/t silver.
- Soil sampling has returned values up to 0.92 g/t gold and 2.4 g/t silver.
- Trace element geochemistry shows variably anomalous amounts of arsenic and antimony associated with elevated precious metals values.

### QCM Gold Property Highlights

- The property consists of approximately 1,185 hectares, located within the heart of the Manson-Germansen placer gold district.
- Several mineralized showings occur within property boundaries including QCM where the majority of historical work, including drilling, has been concentrated.

- Select drill intercepts such as 1.44 g/t Au over 181.36 metres and 173 g/t Au over 1.5 metres suggest potential for both bulk tonnage as well as high grade styles of mineralization.
- There appears to be 2 stages of gold mineralization, an initial phase related to pervasive iron-carbonate and sericite alteration of reactive lithologies overprinted by structurally controlled quartz-pyrite veining and silicification.
- Mineralization and alteration have characteristics of both orogenic as well as sediment hosted vein (SHV) type targets.

## Operating Segments

The Company operates in one reportable operating segment, being the acquisition, exploration and evaluation of mineral properties in Canada.

## Summary of Quarterly Results

The following is selected financial data from the Company's quarterly financial statements with the most recently completed eight quarters summarized below. Activities for the various quarters ended are summarized below variances in quarter over quarter results stem from the Company undertaking acquisition and exploration activities; completing private placements by issuing common shares; recording share-based payments and recording impairment charges. Items resulting in quarterly fluctuations are noted below:

- Sep 30, 2020 – Kestrel completed a private placement for gross proceeds of \$297,500; warrants were exercised generating proceeds of \$116,150, \$35,000 owing to an officer and director was settled by issuing common shares; share-based payments of \$152,476 were recorded on the issuance of 4,450,000 stock options; net exploration expenditures of \$121,441 were incurred with respect to the summer 2020 sampling and drilling programs.
- Jun 30, 2020 – The Company had limited operations and conserved its cash resources.
- Mar 31, 2020 – Kestrel had limited operations and conserved its cash resources.
- Dec 31, 2019 – The Company acquired mineral claims adjacent to its King Solomon Dome property.
- Sep 30, 2019 – Kestrel completed a private placement for gross proceeds of \$109,998.
- Jun 30, 2019 – The Company had limited operations and conserved its cash resources.
- Mar 31, 2019 – Kestrel recorded an impairment charge of \$616,025 with respect to exploration costs incurred on the Val-Jual, Clear Creek and Dease Lake properties as the Company did not have the financial resources to make the annual option payments to the option holder.
- Dec 31, 2018 – The Company completed the analysis of its 2018 exploration activities.

	<b>Sep 30 2020</b>	<b>Jun 30 2020</b>	<b>Mar 31 2020</b>	<b>Dec 31 2019</b>
<b>Net loss</b>	\$206,397	\$16,101	\$22,154	\$19,524
<b>Net loss per share</b>	0.00	0.00	0.00	0.00
<b>Total assets</b>	509,636	66,071	81,664	101,229

	Sep 30 2020	Jun 30 2020	Mar 31 2020	Dec 31 2019
<b>Exploration and evaluation assets</b>	134,962	25,962	25,962	25,962
<b>Total liabilities</b>	130,843	67,450	66,942	64,353
<b>Shareholders' Equity</b>	378,793	(1,379)	14,722	38,876

  

	Sep 30 2019	Jun 30 2019	Mar 31 2019	Dec 31 2018
<b>Net loss</b>	\$12,843	\$17,308	\$659,581	\$30,812
<b>Net loss per share</b>	0.00	0.00	0.01	0.00
<b>Total assets</b>	110,322	18,129	28,782	689,990
<b>Exploration and evaluation assets</b>	13,521	-	-	620,234
<b>Total liabilities</b>	53,922	45,358	38,705	40,329
<b>Shareholders' Equity</b>	56,400	(27,229)	(9,923)	649,661

## Overall Financial Performance

### Results from Operations

As at September 30, 2020, the Company had working capital of \$243,831 (2019 - \$42,879) and is focused on increasing its property portfolio and undertaking exploration work required to advance the properties.

Total assets for the year ended September 30, 2020 increased \$0.4 million as a result of the \$0.3 million private placement completed in September 2020 and the proceeds of \$0.1 million on the exercise of warrants these funds are reflected in a corresponding increase in cash and exploration expenditures.

The net loss for the year ended September 30, 2020 decreased \$0.46 million as no impairment charges were recorded in the current year and operating expenses before impairment charges for the year ended September 30, 2020 increased to \$0.3 million from \$0.1 million as a result of share-based payments of \$0.15 million while other expenses remained in line with prior years as the Company continued to preserve cash to sustain itself.

The decrease in assets and corresponding increase in the net losses for the years ended September 30, 2019 and 2018 resulted from impairment charges of \$0.6 and \$0.3 million, respectfully. Other operating expenses remained constant year over year as the Company conserved its cash resources.

## Summary of Selected Annual Information

	Sept 30, 2020	Sept 30, 2019	Sept 30, 2018
Total assets	\$509,636	\$110,322	\$734,165
Share-based payments	152,476	-	-
Impairment of E&E assets	-	616,025	317,312
Net loss	264,176	720,544	616,957
Loss per share	0.00	0.01	0.01

## Liquidity and Capital Resources

To date, the Company has not realized profitable operations and has relied on equity financings to fund its operations.

The financial statements have been prepared assuming the Company will continue on a going-concern basis. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate additional funds by equity financings.

As at September 30, 2020, the Company had working capital of \$243,831, (2019 - \$42,879). The Company does not generate cash inflows from operations.

In the short term, the Company intends to continue to undertake private placement equity financings to fund payment of immediate operating costs, such as management fees, sustaining and investor relations expenses and audit and legal fees and to fund its exploration activities.

In the long term, the Company intends to undertake a series of private placement equity offerings to regularly fund ongoing administrative expenses and a program of property acquisitions and ongoing exploration work on its various property interests. The Company's execution of this plan and the results from the work done are essential to providing future capital.

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. If adequate financing is not available when required, the Company may be required to delay, scale back, eliminate or relinquish various programs and may be unable to continue in operation. The Company will be required to seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company, or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests. Management is considering various sources of financing available to the Company.

Management continues to evaluate and adjust its planned level of activities to in an attempt to ensure that adequate levels of working capital are maintained by Kestrel. The future availability of funding will affect the planned activity levels at the Company's various properties and expenditures will, as much as possible, be adjusted to match available funding.

The Company's future revenues, if any, are expected to be in large part derived from the mining and sale of gold or base metals or interests related thereto. The economics of developing and producing gold properties are affected by many factors including the cost of operations, variations in the grade of ore and the price of gold. Depending on the price of gold, the Company may determine that it is impractical to continue commercial production. The price of gold has fluctuated widely in recent years. Gold prices are affected by many factors beyond the Company's control including anticipated changes in international investment patterns and monetary systems, economic growth rates, political developments, extent of sales of reserves by governments and shifts in the private supply of and demand for gold. The supply of gold consists of a combination of new Dome production and existing stocks held by governments, producers, financial institutions and consumers. If the market price for gold falls below the Company's full production costs and remains at such levels for any sustained period of time, the Company will experience

losses and may decide to discontinue operations or other development of a project or mining at one or more of its properties.

## Commitments

Kestrel is obligated to make various payments, issue common shares and incur expenditures on its properties in order to fulfill the requirements of its property agreements including:

### Sixtymile and Grabben

To earn a 100% interest in each of the properties Kestrel will issue 1,000,000 common shares, 200,000 due on signing, make cash payments totaling \$100,000, \$5,000 due on signing, and complete \$600,000 of exploration work, \$80,000 by the first anniversary of signing, over a four-year term. All share issuances, cash payments and exploration work requirements are at the sole discretion of Kestrel.

### QCM

To earn a 100% interest in the property Kestrel will issue 4,000,000 common shares, 400,000 due on signing, make cash payments totaling \$150,000, \$10,000 due on signing, and complete \$1,400,000 of exploration work, \$50,000 by the first anniversary of signing, over a four-year term. Each property is subject to a 2% NSR, 50% of which can be purchased by Kestrel for \$1,000,000. All share issuances, cash payments and exploration work requirements are at the sole discretion of Kestrel.

## Related Party Transactions

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

	Sep 30 2020	Sept 30 2019
Short-term benefits	\$ 45,000	\$ 50,000

Short-term benefits are comprised of management fees.

At September 30, 2020, \$11,173 (2019 - \$38,792) is included in accounts payable and accrued liabilities payable 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.

## Outstanding Share Data

The Company began the current fiscal year with 67,395,208 common shares outstanding and ended the year with 79,218,208 common shares outstanding. Common shares issued subsequent to September 30, 2020, include 3,875,000 pursuant to a private placement; 80,000 on the exercise of warrants and 400,000 issued pursuant to option agreements to acquire new properties bringing total common shares outstanding to 83,573,208. In addition, Kestrel currently has 6,450,000 stock options and 14,588,940 common share purchase warrants outstanding.

## Share based payments

Under IFRS, graded vesting awards are accounted for as though each installment is a separate award. IFRS does not provide for an election to treat the instruments as a pool and recognize expense on a straight-line basis. Under IFRS, the estimates of the number of equity-settled awards that vest are adjusted to the actual number that vests, unless forfeitures are due to market-based conditions.

## **Investor Relations**

The Company provides Investor relations through its website Kestrelgold.com. The contact information for CEO Mr. Rob Solinger is on the Company's website.

## **Financial Instruments**

### **Overview**

The Company has exposure to the following risks from its use of financial instruments:

- (i) Credit risk (see below)
- (ii) Liquidity risk (see below and next page)
- (iii) Market risk (see next page)

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. These risks are discussed with Management and to the extent the Board determines that the risks are of such a nature that they need to be mitigated, procedures are put in place. To date, no specific risk management tools have been put in place to mitigate these risks.

### **Credit Risk**

Credit risk is the risk that one party to a financial instrument, will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to a significant concentration of credit risk consist of primarily of cash and cash equivalents and receivables.

The fair value of financial instruments at September 30, 2020 and September 30, 2019 is summarized as follows:

	Sep 30, 2020		Sep 30, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash	\$ 363,217	\$ 363,217	\$ 90,460	\$ 90,460
Accounts receivable	\$ 11,457	\$ 11,457	\$ 6,341	\$ 6,341
<b>Financial Liabilities at amortized cost</b>				
Accounts payable and accrued liabilities	\$ 130,843	\$ 130,843	\$ 53,922	\$ 53,922

The carrying amounts of amounts receivable and accounts payable and accrued liabilities approximates fair value due to the short-term nature of these financial instruments.

### **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. Due to the fact that Company has no operations to generate cash flow to meet such obligations and is an exploration stage Company, the Company requires external financing to ensure all of its obligations are met on a timely basis. To date, the Company has been successful in raising the funds necessary to meet its obligations and fund its capital program.

## ***Market Risk***

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and commodity prices.

### Foreign currency risk

The Company is not subject to significant foreign currency risk.

### Interest rate risk

The Company is not subject to significant interest rate risk.

### Other price risk

The Company is not subject to significant other price risk.

## ***Foreign Currency Risk***

The Company only operates in Canada. Therefore, the Company is not exposed to foreign exchange risk arising from transactions denominated in foreign currency.

## ***Other Price Risks***

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices and the stock market to determine the appropriate course of action to be taken by the Company.

## **Risk Factors and Uncertainties**

As an exploration company, Kestrel's goal is to continue to find resources and reserves that can be developed economically. In attempting to accomplish this goal, the Company faces many risks that it must minimize. In addition to financial instruments risks, the Company is subject to the following risks:

### ***Pandemics, Natural Disasters, Terrorism or other Unforeseen Events***

The outbreak of infectious disease or occurrence of pandemics, such as the recent outbreak of COVID-19; natural disasters; terrorism or other unanticipated events, in any of the areas in which the Company, its customers or its suppliers operate could cause interruptions in the Company's operations. In addition, pandemics, natural disasters, terrorism or other unforeseen events could negatively impact global supply chains, project development, operations, labour shortages, and financial markets and cause increase costs to the Company, which could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

### ***World Economic Conditions***

The continuing worldwide economic conditions, reflective in stock market uncertainty and the international credit crisis could adversely impact the Company's ability to raise sufficient working capital to sustain operations. The Company can neither predict the impact the current economic conditions will have on future results, nor predict when the economy will show meaningful improvement.

### ***Early-stage Exploration Company***

The Company is engaged in the business of acquiring and exploring mineral properties in the hope of locating economic deposits of minerals. All of its properties are in the early stages of exploration and are without known deposits of commercial ore. Development of the Company's properties will only follow upon obtaining satisfactory exploration results. There can be no assurance that the Company's existing or future exploration programs will result in the discovery of commercially viable mineral deposits. Further, there can be no assurance that even if an economic deposit of minerals is located, that it can be commercially mined.

### ***Mineral Exploration and Development***

The exploration and development of minerals is highly speculative in nature and involves a high degree of financial and other risks over time which, even a combination of careful evaluation, experience and knowledge may not eliminate. While discovery of a mineral deposit or ore body may result in significant rewards, few properties which are explored are ultimately developed into producing Domes. Substantial expenses are required to establish ore reserves by drilling, sampling and other techniques and to design and construct mining and processing facilities. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit (i.e. size, grade, access and proximity to infrastructure), financing costs, the cyclical nature of commodity prices and government regulations (including those relating to prices, taxes, currency controls, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection). The effect of these factors or a combination thereof cannot be accurately predicted but could have an adverse impact on the Company.

### ***Mining Operations and Insurance***

Mining operations generally involve a high degree of risk. The Company's operations are subject to all of the hazards and risks normally encountered in mineral exploration and development. Such risks include unusual and unexpected geological formations, seismic activity, rock bursts, cave-ins, flowing and other conditions involved in the drilling and removal of material, environmental hazards, industrial accidents, nine months interruptions due to adverse weather conditions, labour disputes and political unrest. The occurrence of any of the foregoing could result in damage to, or destruction of, mineral properties or interests, production facilities, personal injury, damage to life or property, environmental damage, delays or interruption of operations, increases in costs, monetary losses, legal liability and adverse government action. The Company does not currently carry insurance against these risks and there is no assurance that such insurance will be available in the future, or if available, at economically feasible premiums or acceptable terms. The potential costs associated with liabilities not covered by insurance or excess insurance coverage may cause substantial delays and require significant capital outlays.

### ***No Operating History and Financial Resources***

The Company does not have an operating history and has no operating revenues and is unlikely to generate any in the near term. If its exploration program is successful, additional funds will be required for further exploration to prove economic deposits and to bring such deposits to production. Continued exploration and development of the Properties, as well as the Company's ability to continue as a going concern are dependent on Kestrel's ability to obtain necessary financing. As the Company is not currently producing from its Properties, it will be necessary for the Company to seek additional equity to finance its programs. While the Company has been successful in the past in attracting equity financing required to carry out its planned exploration program, there can be no assurance that additional funding will be available in the future, particularly in light of the current state of the equity markets. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration plans, as well as the Company's ability to meet its obligations and continue as a going concern.

### ***The Company has a history of losses and expects to incur losses for the foreseeable future.***

The Company has incurred losses during each period since inception of the Company. As of September 30, 2020, the Company had an accumulated deficit of \$15,078,390. Kestrel expects to continue to incur losses unless and

until such time as one or more of the properties enter into commercial production and generate sufficient revenues to fund the Company's continuing operations.

### ***Exploration and Development***

The mining industry in general is inherently risky in nature. Mineral properties are often non-productive for reasons that cannot be anticipated in advance and the Company may be subject to risks from operations, mining law, environmental regulations, permits, licenses, land claims and financing.

The Company focuses exploration efforts in areas in which it has existing knowledge and expertise. Exploration activities rely on the exploration results collected at that time and on professional judgment of people involved in the exploration business. There can be no assurance that exploration programs will result in a discovery being made. In the event that a discovery is made, no assurance can be given that the discovery will result in either resources or reserves being established on the property. If reserves are established, it may take a number of years and substantial expenditures before production are achieved, during which the economic feasibility of the project may change.

The long-term profitability of the Company's operations will, in part, be directly related to the success of its exploration programs in finding additional reserves, which may be affected by a number of factors that are beyond the control of the Company.

### ***Government Regulation***

Kestrel's mining operations and exploration activities are subject to the laws and regulations of the Yukon Territory, Canada. There is no assurance that these laws will not change in the future.

The current or future operations of the Company, including exploration and development activities and the commencement and continuation of commercial production, require licenses, permits or other approvals from various foreign federal, state and local governmental authorities and such operations are or will be governed by laws and regulations relating to prospecting, development, mining, production, exports, taxes, labour standards, occupational health and safety, waste disposal, toxic substances, land use, water use, environmental protection, land claims of indigenous people and other matters. There can be no assurance, however, that the Company will obtain on reasonable terms, or at all, the permits and approvals, and the renewals thereof, which it may require for the conduct of its current or future operations or that compliance with applicable laws, regulations, permits and approvals will not have an adverse effect on any mining project which the Company may undertake. Possible future environmental and mineral tax legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays to the Company's planned exploration and operations, the extent of which cannot be predicted.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

### ***Competition***

The mineral exploration and mining business are competitive in all of its phases. The Company will compete with numerous other companies and individuals, including competitors with greater financial, technical and other resources, in the search for and the acquisition of attractive mineral properties. The Company's ability to acquire properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable prospects for mineral exploration or development. There is no assurance that the Company will be able to compete successfully with others in acquiring such prospects.

## ***Title to Property***

The Company has taken precautions to ensure that legal titles to its property interests are properly recorded. There can be no assurance that the Company will be able to secure the grant or the renewal of exploration permits or other tenures on terms satisfactory to it, or that governments in the jurisdictions in which the properties are situated will not revoke or significantly alter such permits or other tenures or that such permits and tenures will not be challenged or impugned. Third parties may have valid claims underlying portions of the Company's interests and the permits or tenures may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. If a title defect exists, it is possible that the Company may lose all or part of its interest in the properties to which such defects relate.

## ***Environmental Factors***

All phases of the Company's operations will be subject to environmental regulation in the Yukon. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation, provide for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry activities and operations. They also set forth limitations on the generation, transportation, storage and disposal of hazardous waste. A breach of such regulation may result in the imposition of fines and penalties. In addition, certain types of mining operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the viability or profitability of operations. Environmental hazards may exist on the properties in which the Company holds interests or on properties that will be acquired which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties.

Although Kestrel takes the steps necessary to protect the environment around its operations, there is no assurance that future changes in environmental regulation, if any, will not adversely affect Kestrel's operations or result in substantial costs and liabilities in the future.

Kestrel has adopted a proactive approach to any potential environmental risks in the regions it is operating in.

## ***Commodity Prices***

The price of the Company's securities, its financial results and exploration, development and mining activities may in the future be significantly adversely affected by declines in the price of precious or base minerals. Precious or base minerals prices fluctuate widely and are affected by numerous factors beyond the Company's control such as the sale or purchase of precious or base metals by various dealers, central banks and financial institutions, interest rates, exchange rates, inflation or deflation, currency exchange fluctuation, global and regional supply and demand; production and consumption patterns, speculative activities, increased production due to improved mining and production methods, government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, environmental protection and international political and economic trends, conditions and events. The price of precious or base metals has fluctuated widely in recent years, and future serious price declines could cause continued development of the Company's properties to be impracticable.

Further, reserve calculations and life-of-Dome plans using significantly lower precious or base minerals prices could result in material write-downs of the Company's investment in mining properties and increased amortization, reclamation and closure charges.

In addition to adversely affecting reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

### ***Price Volatility***

In recent years, the securities markets in Canada and elsewhere have experienced a high level of price and volume volatility, and the market prices of securities of many public companies have experienced significant fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any quoted market for the Company's securities will be subject to such market trends and that the value of such securities may be affected accordingly.

### ***Key Executives***

The Company is dependent on the services of key executives and a small number of highly skilled and experienced consultants and personnel, whose contributions to the immediate future operations of the Company are likely to be of importance. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. Due to the relatively small size of the Company, the loss of these persons or the Company's inability to attract and retain additional highly skilled employees or consultants may adversely affect its business and future operations. The Company does not currently carry any key man life insurance on any of its executives. The directors and officers of the Company only devote part of their time to the affairs of the Company.

### ***Dividends***

The Company has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future as it intends to employ available funds for mineral exploration and development. Any future determination to pay dividends will be at the discretion of the Board of Directors of the Company and will depend on the Company's financial condition, results of operations, capital requirements and such other factors as the Board of Directors of the Company deem relevant.

### ***Nature of the Securities***

The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in Company's securities should not constitute a major portion of an investor's portfolio.

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

At September 30, 2020 and as of the date of this MD&A, the Company had no material off balance sheet arrangements such as guarantee contracts, derivative instruments or any obligations that trigger financing, liquidity, market or credit risk to the Company.

### ***International Financial Reporting Standards***

During the year ended September 30, 2020, the Company applied IFRS.

These financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC).

The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, 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.

## Significant Accounting Policies

The significant accounting policies used by the Company are disclosed in note 3 to the September 30, 2020 audited financial statements. The accounting policies presented in note 3 are a complete set of accounting policies that would normally be filed in the annual audited financial statements of the Company.

## Changes in Accounting Policies

The Company adopted the requirements of IFRS 9 using the modified retrospective basis in accordance with the transitional provisions. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). The standard promulgates a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" ("ECL") impairment model. The adoption of the ECL impairment model did not have an impact on the Company's financial statements. There were no changes to the carrying value of any of the Company's assets or liabilities as a result of this new accounting standard.

The following table shows the original classification of the Company's financial instruments under IAS 39 and the new classification under IFRS 9:

<b>Financial Asset/Liability</b>	<b>Original Classification IAS 39</b>	<b>New Classification IFRS 9</b>
Cash	Fair value through profit and loss ("FVTPL")	FVTPL
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

## Future Accounting Changes

The Company has performed an assessment of new standards issued by the IASB that are not yet effective. The Company has assessed that the impact of adopting these accounting standards on its financial statements would not be significant.

## Outlook

Kestrel has expanded its property base beyond King Solomon's Dome with the addition of Sixtymile, Grabben and QCM together these projects provide excellent opportunities to grow shareholder value. The Company has funds available to begin planning its 2021 exploration activities which will include:

- **KSD** - receive and interpret 2020 sampling, trenching and drilling results, use these results to guide further work including ground magnetics, trenching and drill stage planning;.
- **Grabben** - complete ground magnetics, prospecting and soil sampling to advance the property to a drill decision by mid-2021;.
- **Sixtymile** - complete geophysics, mapping, prospecting, soil sampling and trenching to advance the property to a drill decision by mid-2021.
- **QCM** - complete permitting, compile and analyze property data and re-sample historic core in preparation for potential drilling by late 2021.