

Kestrel Gold Inc

Interim MD&A – Quarterly Highlights

Three and Nine Months Ended June 30, 2021

This Management's Discussion and Analysis ("MD&A") of Kestrel Gold Inc ("Kestrel" or the "Company") is dated August 20, 2021 and provides a discussion of the Company's financial and operating results for the quarter ended June 30, 2021 with comparisons to previous quarters. This MD&A should be read in conjunction with the Company's quarterly condensed interim financial statements and the annual September 30, 2020 audited financial statements and MD&A.

Forward-Looking Statements

This MD&A contains "forward-looking information" within the meaning of Canadian securities legislation. All statements, other than statements of historical fact, which address activities, events or developments that management believes, expects or anticipates will or may occur in the future are forward-looking statements and often use words such as "expects", "plans", "anticipates", "estimates", "intends", "may" or variations thereof or the negative of any of these terms. Forward-looking statements contained in this MD&A include, but are not limited to statements with respect to 2021 exploration plans, including the proposed timeline of the drilling; Kestrel's business strategy, plans and outlook; the future financial or operating performance of Kestrel; capital expenditures, corporate general and administration expenses and exploration and evaluation expenses; expected working capital requirements; the potential impact of the coronavirus ("COVID-19") on the Company and its operations; and future exploration and operating plans. All forward-looking statements are made based on management's current beliefs, as well as various assumptions made by them and information currently available to them. Generally, these assumptions include, among others: the ability of Kestrel to carry on exploration and development activities; the price of gold, silver and other metals; there being no material variations in the regulatory environment; the availability of personnel and equipment at estimated prices and within estimated delivery times; and the availability of acceptable financing.

Business Overview

Kestrel is in the business of acquiring, exploring for and evaluating mineral properties in Western Canada, within the Canadian Cordillera. Its primary objective is to enhance shareholder value through the acquisition and development of exploration projects, with an emphasis on hard rock targets located in placer gold mining districts. The Company's property portfolio includes a 100% interest in King Solomon's Dome and three separate option agreements to acquire a 100% interest in QCM, Sixtymile and Grabben. To date, Kestrel has not identified a known body of commercial grade minerals on any of its properties.

The Company's common shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "KGC".

Highlights for the three months ended June 30, 2021

- Kestrel completed a private placement for gross proceeds of \$1.2 million by issuing a total of 11,593,336 units: of which 9,560,000 common share units were issued at a price of \$0.10 per unit and 2,033,335 flow-through units were issued at a price of \$0.12 per unit. Each unit consisted of one common share and one-half of one common share purchase warrant, each whole warrant, entitles the holder to acquire, for a period of 24 months, one common share at a price of \$0.18 per common share for the first 18 months and at a price of \$0.25 per common share thereafter;

- The Company incurred exploration expenditures of \$182,553 during the quarter, the majority of which, related to completing the reverse circulation (“RC”) drilling program on the Grabben property, see below for further details and results.
- Kestrel received gross proceeds of \$232,876 on the exercise of warrants and stock options.
- The Company’s proposals for financial assistance under the Yukon Mineral Exploration Program (“YMEP”) were approved by the Yukon Geological Survey. Pursuant to the terms of the YMEP grants, Kestrel will be reimbursed for eligible exploration expenses incurred in 2021 up to a maximum of \$40,000 at both the Sixtymile and Grabben properties. The Company gratefully acknowledges the ongoing support of the Yukon government. Receipt of the funds is contingent on Kestrel incurring the proposed exploration expenses and submitting various technical reports.

Analysis of Kestrel’s Current Financial Condition

Kestrel’s unaudited condensed interim financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis assumes that the Company 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 was not appropriate for these unaudited condensed interim financial statements, then material adjustments would be necessary to the carrying amounts of the assets and liabilities, the reported expenses and the balance sheet classifications.

As at June 30, 2021, Kestrel had working capital of \$1,471,003 comprised of current assets of \$1,608,937 of which \$1,584,064 was cash, \$24,873 was accounts receivable and current liabilities of \$137,934. Accounts receivable is comprised of GST input credits. Pursuant to the terms of the of the Sixtymile, Grabben and QCM option agreements Kestrel is obligated this calendar year to make total annual option payments of \$20,000 and incur a minimum of \$210,000 of exploration expenditures, additional details regarding the option agreements are set out in the Capital Expenditures section below and can be found in the Company’s September 30, 2020 audited financial statements.

Kestrel will need to raise additional funds by way of issuing equity in order to continue operating and satisfy its ongoing administrative, operating and capital expenditure obligations in the normal course of business.

Capital Expenditures

Kestrel’s properties are located in Yukon and central British Columbia (“BC”) and consist of a 100% interest in King Solomon’s Dome and three separate option agreements to acquire a 100% interest in the QCM, Sixtymile and Grabben properties.

The Company plans to advance its various properties using a variety of exploration techniques. Further property acquisitions are also being evaluated and considered by Kestrel.

Grabben

On October 26, 2020, Kestrel entered into an option agreement to earn a 100% interest in the Grabben Gold Property (“Grabben”) located within the Yukon portion of the Tintina Gold Belt.

Grabben is approximately 1,710 hectares and is located in the southwest corner of the Klondike Goldfields at the headwaters of Mackinnon and Stowe Creek. Significant amounts of placer gold have been recovered downstream of the property. Grabben has potential for both intrusion-related gold system and orogenic style systems.

To exercise the option and earn a 100% interest in the Grabben property, Kestrel will issue a total of 1,000,000 common shares, 200,000 due on signing and 200,000 on each anniversary date, make cash payments totaling \$100,000, over four years, and complete \$600,000 of exploration work, \$80,000 by the

first anniversary of signing, over a four-year term. Grabben 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. Further details of the option agreement can be found in the audited September 30, 2020 financial statements.

Grabben – 2021 Exploration Program

During the quarter ended June 30, 2021, The Company completed a RC drilling program resulting in nine holes totaling 558 metres of drilling, targeting two areas in the Grid Zone, an open-ended 900 metre long by 100 - 250-metre-wide Au +/-Ag-As-Bi-Sb soil anomaly. All holes encountered sections of variably clay altered, bleached, limonitic and fractured intrusive rocks as well as a similarly altered and fractured alternating sedimentary sequence consisting of mudstone, siltstone and conglomerate. The geological setting and geochemical signature together suggest potential for an intrusion related gold system.

Grabben - 2021 Drill Results

Hole	Location	Azimuth	Dip	Hole Depth (m)	From (m)	To (m)	Interval (m)	Au g/t	Ag g/t
GRB21-001	Grid Zone NW	29	-45	60.98	no significant results				
GRB21-002	Grid Zone NW	31	-45	60.98	scattered anomalous gold values				
GRB21-003	Grid Zone NW	32	-44	60.98	4.57	13.72	9.15	0.2	0.883
GRB21-004	Grid Zone NW	211	-47	60.98	scattered anomalous gold values				
GRB21-005	Grid Zone SE	22	-45	60.98	no significant results				
GRB21-006	Grid Zone SE	29	-45	60.98	scattered anomalous gold and silver values				
GRB21-007	Grid Zone SE	28	-45	70.12	28.96	35.06	6.1	0.34	66.12
GRB21-008	Grid Zone NW	120	-46	60.98	1.52	12.19	10.67	0.334	1.48
GRB21-009	Grid Zone NW	303	-47	60.98	scattered anomalous gold and silver values				

Future plans for Grabben include a prospecting program designed to follow up existing soil geochemical targets distal to the 2021 drill area.

Sixtymile

On October 26, 2020, Kestrel entered into an option agreement to earn a 100% interest in the Sixtymile Gold Property (Sixtymile™) located within the Yukon portion of the Tintina Gold Belt.

Sixtymile is approximately 3,520 hectares, covering the headwaters of several heavily placer mined creeks within the Sixtymile placer goldfields. Sixtymile has potential for both low sulphidation epithermal and orogenic style systems.

To exercise the option and earn a 100% interest in Sixtymile, Kestrel will issue a total of 1,000,000 common shares, 200,000 due on signing and 200,000 on each anniversary date, make cash payments totalling \$100,000, over four years, 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. Further details of the option agreement can be found in the audited September 30, 2020 financial statements.

Sixtymile – 2021 Exploration Program

At Sixtymile, an exploration program consisting of RC drilling, prospecting and soil sampling designed to augment and expand upon results from prior programs was undertaken and completed in August 2021. The target at Sixtymile is a series of north to north-northeast trending fault zones located near the upstream termini of several alluvial gold paystreaks. These fault zones exhibit brecciation, silicification, widespread and occasionally intense limonite, bleaching, clay alteration, vuggy quartz and are commonly anomalous in gold, silver, arsenic and antimony. Peak values of up to 2,260 ppb Au in rock and 1,765 ppb Au in soil have been returned in previous samples on the property. The RC drilling totalled 7 holes and 556 metres which were designed to test several of these fault zones. Results from this work will be released once they have been received, compiled and interpreted.

QCM

On December 15, 2020, Kestrel entered into an option agreement to earn a 100% interest in the QCM property (“QCM”) located in northern British Columbia. QCM is located north of Prince George and 70 kilometres northwest of the Mount Milligan copper gold mine; within the heart of the Manson Germansen placer gold district.

To exercise the option and earn a 100% interest in QCM, Kestrel will issue 4,000,000 common shares, 400,000 due on signing, make cash payments totalling \$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. The 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. Further details of the option agreement can be found in the audited September 30, 2020 financial statements.

On August 3, 2021, Kestrel announced the acquisition of a series of mining claims which have significantly increased the size of the QCM property to approximately 5,100 hectares including an approximate 14-kilometre strike length of the Manson fault zone which is thought to be a controlling structure for much of the gold and silver mineralization found in the area.

QCM – 2021 Exploration Program

The Company has been compiling historical exploration data pertaining to the QCM project and has engaged a geophysical survey company to complete a helicopter-borne high resolution aeromagnetic, VLF-EM, and radiometric survey covering the entire project including the recently acquired claims (see news release dated August 6th 2021). The results of the data compilation, airborne geophysical survey and the preliminary prospecting program completed earlier this summer will be used to guide a more expansive project-wide prospecting and geochemical sampling program anticipated to start late August. Earlier this year, the Company submitted an application to the BC government for a work permit, which would allow Kestrel to proceed with a RC drilling program. Approval of the work permit is currently expected in late August or early September, upon receipt of which Kestrel will finalize planning for a RC drilling focusing on infill drilling within the QCM Main Zone and potential strike extensions.

King Solomon’s Dome

Kestrel plans to complete a program of prospecting and geochemical sampling designed to follow up 2020 exploration results.

Results of Operations for the Three Months Ended June 30, 2021

The net loss for the period ended June 30, 2021 was \$58,643 compared to \$16,101 for the same period in 2020. The \$42,542 increase in the net loss, quarter over quarter, is largely due to: Management and consulting fees increasing \$28,500, quarter over quarter, reflecting increases in pay to the CEO and the hiring of a CFO; Investor relations and website increasing \$5,924; and Administration increasing \$6,773.

	Three Months Ended Jun 30, 2021	Three Months Ended Jun 30 2020	Increase
Consulting fees	\$35,670	\$7,170	\$28,500
Investor relations and website	7,287	1,363	5,924
Professional fees	1,850	1,605	245
Listing and filing fees	6,300	5,200	1,100
Administration	7,536	763	6,773
Net Loss	\$58,643	\$16,101	\$42,542

Summary of Quarterly Results

The following table summarizes selected financial data reported by the Company for the three months ended June 30, 2021 and the seven previous quarters.

	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020
Current assets	\$1,608,937	\$391,721	\$524,953	\$374,674
Exploration and evaluation assets	440,812	258,259	265,337	134,962
Total assets	2,064,749	679,980	790,290	509,636
Current liabilities	137,934	18,835	98,955	130,843
Working capital	1,471,003	372,886	425,998	616,717
Net loss	58,643	68,031	92,530	264,176
Basic and diluted loss per share	\$0.001	\$0.00	\$0.001	\$0.00
Weighted avg. shares outstanding	95,706,214	83,438,922	82,309,186	68,231,285
	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019
Current assets	\$40,109	\$55,702	\$75,267	\$96,801
Exploration and evaluation assets	25,962	25,962	25,962	13,521
Total assets	66,071	81,664	101,229	110,322
Current liabilities	67,450	66,942	64,353	53,922
Working capital	(27,341)	(11,240)	10,914	42,879

Net loss	16,101	22,154	19,524	720,544
Basic and diluted loss per share	\$0.00	\$0.00	\$0.00	\$0.01
Weighted avg. shares outstanding	67,395,208	67,395,208	67,395,208	61,702,7700

Variations in quarter over quarter results stem from the Company undertaking various activities including: acquisition of properties; drilling; prospecting; completing private placements by issuing common shares; recording share-based payments and recording impairment charges. Items resulting in significant quarterly fluctuations are noted below:

- **Jun 30, 2021** – Kestrel's completed a private placement for \$1.2 million and received additional proceeds on the exercise of warrants and stock options. The Company commenced its 2021 exploration program with a geomagnetic survey and reverse circulation drilling program at Grabben, costs incurred during the quarter were \$177,743. The Company plans to undertake further exploration of its properties during the summer and fall of 2021.
- **Mar 31, 2021** – Company expenses impacting the loss for the quarter included \$23,395 for investor relations and website, as the Company completely revised its website and payment of the annual insurance premium of \$8,250. Total assets decreased as a result of the operating loss decreasing the Company's cash position which was slightly offset by the exercise of warrants.
- **Dec 31, 2020** – Kestrel's net loss for the period was higher do to share-based payments of \$33,372. Total assets and shareholders' equity increased upon completion of a private placement for gross proceeds of \$310,000. Exploration expenditures increased by \$70,375, net of the YMEP grant, as the Company completed its KSD 2020 exploration program and entered into option agreements to acquire QCM, Grabben and Sixtymile.
- **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.

Outstanding Share Information

Kestrel had the following common shares, warrants and stock options outstanding as at June 30, 2021 and as of the report date.

	June 30, 2021	Issued	Exercised	At Report Date
Common shares	99,201,264	500,000	-	99,701,264
Warrants	17,340,888	-	-	17,340,888
Stock options	5,750,000	-	(500,000)	5,250,000
Fully diluted shares outstanding	122,292,152	500,000	(500,000)	122,292,152

Plans for 2021

Grabben

- Geological mapping will be updated to incorporate the results of the 2021 RC drill program.

Sixtymile

- 2021 RC drilling program, totalling 7 holes and 556 metres was completed in August 2021, results will be released once they have been received, compiled and interpreted.

QCM

- Airborne geophysical survey of the property will be undertaken in August 2021.
- Additional, geological and geochemical sampling programs are planned for late summer of 2021 in preparation for the 2021 RC drill program.
- The same drilling contractor for Grabben and Sixtymile has been secured for an approximate 10-hole 2,000-metre program of RC drilling, planned for late summer and early fall of 2021.

King Solomon's Dome

- A program of prospecting and geochemical sampling, designed to follow up on 2020 exploration results, will be completed during the summer of 2021.

Risk and Uncertainties

The Company is subject to a number of risks and uncertainties including, but not limited to the following:

- Global epidemics or pandemics or other health crises.
- Licenses and title to assets.
- Maintaining and obtaining licenses and permits.
- Environmental hazards.
- Governmental laws and regulations.
- The business of exploration for minerals and mining involves a high degree of risk.
- Property commitments.
- Limited operational history

- Substantial capital requirements.
- Future sales or issuances of common shares.
- Competition.
- Dependence on key personnel.
- Control person of the Company.
- Public company requirements.
- Marketability of natural resources.
- Conflicts of interest.
- Uninsurable risks.
- Infrastructure.
- Price volatility of publicly traded securities.
- Risk of fines and penalties.
- Information technology security risks.

Additional Information

Additional information regarding Kestrel is available on SEDAR at www.sedar.com and at the Company's website www.kestrelgold.com.