

Kestrel Gold Inc.
(An Exploration Stage Company)

Condensed Interim Financial Statements
(Unaudited)

**For the Three and Nine Months Ended June 30,
2021 and 2020**

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. They include appropriate accounting principles, judgment and estimates in accordance with International Financial Reporting Standards (“IFRS”) for unaudited condensed interim financial statements.

The Company’s independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim financial statements by an entity’s auditor.

Calgary, Alberta
August 20, 2021

Kestrel Gold Inc.

(An Exploration Stage Company)

Condensed Interim Statements of Financial Position

(Unaudited)

(Expressed in Canadian Dollars)

	Note	June 30 2021	September 30 2020
Assets			
Current			
Cash		\$ 1,584,064	\$ 363,217
Accounts receivable		24,873	11,457
		1,608,937	374,674
Drilling deposits		15,000	-
Exploration and evaluation assets	3	440,812	134,962
		\$ 2,064,749	\$ 509,636
Liabilities			
Current			
Accounts payable and accrued liabilities	6	\$ 137,934	\$ 130,843
Shareholders' Equity			
Share capital	5	15,199,085	13,434,609
Other equity reserves		2,022,757	2,022,849
Deficit		(15,295,027)	(15,078,665)
		1,926,815	378,793
		\$ 2,064,749	\$ 509,636

Subsequent event notes 3, 4

Approved on behalf of the Board:

Signed "Robert Solinger"

Robert Solinger, Director

Signed "Pat Lynch"

Pat Lynch, Director

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

Kestrel Gold Inc.

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Condensed Interim Statements of Loss and Comprehensive Loss

(Unaudited)

(Expressed in Canadian Dollars)

	Three months ended June 30, 2021	Three months ended June 30, 2020	Nine months ended June 30, 2021	Nine months ended June 30, 2020
Expenses				
Consulting fees (Note 6)	\$ 35,670	\$ 7,170	\$ 89,358	29,758
Investor relations & website	7,287	1,363	41,716	9,385
Stock-based compensation	-	-	33,372	-
Professional fees	1,850	1,605	21,388	5,980
Administration	7,536	763	13,137	3,992
Listing and filing fees	6,300	5,200	9,141	8,664
Insurance	-	-	8,250	-
Comprehensive Loss	\$ 58,643	\$ 16,101	\$ 216,362	\$ 57,779
Loss per Share	\$ 0.001	\$ 0.000	\$ 0.002	\$ 0.002
Weighted average number of common shares outstanding	95,706,213	67,395,208	87,416,563	27,395,208

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)
(Expressed in Canadian Dollars)

	Nine months Ended June 30, 2021	Nine months Ended June 30, 2020
Operating Activities		
Net loss for the period	\$ (216,362)	\$ (57,779)
Items not affecting cash		
Share-based payments	33,372	-
	(182,990)	(57,779)
Change in non-cash working capital	(6,325)	16,431
Cash Used for Operating Activities	(189,315)	(41,348)
Investing Activities		
Drilling deposits	(15,000)	-
Exploration and evaluation assets – net of YMEP	(245,850)	(12,441)
Cash Used for Investing Activities	(260,850)	(12,441)
Financing Activities		
Proceeds on issuance of units	1,510,000	-
Proceeds on exercise of warrants	197,876	-
Proceeds on exercise of options	35,000	-
Share issuance costs	(71,864)	-
Cash provided by Financing Activities	1,671,012	-
Change in cash during the period	1,220,847	(53,789)
Cash, Beginning of the Period	363,217	90,460
Cash, End of the Period	\$ 1,584,064	\$ 36,671

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Kestrel Gold Inc.

(An Exploration Stage Company)

Condensed Interim Statements of Changes in Shareholders' Equity

(Unaudited)

(Expressed in Canadian Dollars)

	Number	Share capital	Other equity reserves	Deficit	Total
September 30, 2019	67,395,208	\$ 13,000,516	\$ 1,870,373	\$ (14,814,489)	\$ 56,400
Net loss for the period	-	-	-	(57,779)	(57,779)
June 30, 2020	67,395,208	\$13,000,516	\$ 1,870,373	\$ (14,872,268)	\$ (1,379)
Private placement	8,500,000	297,500	-	-	297,500
Share-based payments	-	-	152,476	-	152,476
Exercise of warrants	2,323,000	116,150	-	-	116,150
Settlement of accounts payable and accrued liabilities	1,000,000	35,000	-	-	35,000
Share issue costs	-	(14,557)	-	-	(14,557)
Net loss for the year	-	-	-	(206,397)	(206,397)
September 30, 2020	79,218,208	\$ 13,434,609	\$ 2,022,849	\$ (15,078,665)	\$ 378,793
Private placement	3,875,000	310,000	-	-	310,000
Private placement	11,593,336	1,200,000	-	-	1,200,000
Shares issued for properties	800,000	60,000	-	-	60,000
Exercise of warrants	3,014,720	197,876	-	-	197,876
Share-based payments	-	-	33,372	-	33,372
Exercise of options	700,000	68,464	(33,464)	-	35,000
Share issue costs	-	(71,864)	-	-	(71,864)
Net loss for the period	-	-	-	(216,362)	(216,362)
June 30, 2021	99,201,264	\$ 15,199,085	\$ 2,022,757	\$ (15,295,027)	\$ 1,926,815

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

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Notes to Condensed Interim Financial Statements

For the Three and Nine Months Ended June 30, 2021 and 2020

(Unaudited)

(Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

Kestrel Gold Inc. (the “Company” or “Kestrel”) was incorporated under the *Business Corporations Act* (Alberta) on April 12, 2007 and is trading on the TSX Venture Exchange (“TSX-V”) under the symbol “KGC”. The Company’s head office and records office are located at 208 – 110 12th Avenue SW, Calgary, Alberta, T2R 0G7.

The principal business activities include the acquisition, exploration and evaluation of mineral properties. The Company is exploring and evaluating mineral properties in the Yukon Territory and British Columbia, Canada, with the aim of bringing these properties to production. The underlying value of the mineral properties are dependent upon, among other things, the existence of economically recoverable reserves, the ability of Kestrel to secure financing to complete the exploration and development of its properties, the receipt of necessary permits and upon achieving future profitable production or receiving proceeds from the disposition of the properties. The timing of such events occurring, if at all, is not yet determinable. Kestrel is considered to be an exploration stage company, as it has not yet generated any revenue from operations.

These condensed interim financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board (“IASB”), applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of business for the foreseeable future as they come due. The Company has incurred losses since inception and as at June 30, 2021, has a deficit of \$15,295,027 (September 30, 2020 - \$15,078,665). The ability of Kestrel to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate equity or 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 management 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.

In March 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and the related adverse public health developments have adversely affected workforces, economies, and financial markets, leading to a global economic downturn. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID- 19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. This may impact the Company’s ability to obtain additional financing to support exploration activities.

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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 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, 2020, which have been prepared in accordance with IFRS as issued by the IASB.

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

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

These condensed interim financial statements were authorized for issue by the Board of Directors August 20, 2021.

(b) Significant accounting policies

In preparing these condensed interim financial statements, the significant accounting policies and the significant judgments made by management in applying the Company's significant accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company's audited financial statements for the year ended September 30, 2020.

(c) 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's properties are located in Western Canada, within the Canadian Cordillera. 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 for additional information on the option agreements and properties refer to the Company's June 30, 2021 MD&A, audited September 30, 2020 financial statements and Kestrel's website.

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	King Solomon Dome	QCM	Sixtymile	Grabben	Total
September 30, 2019	\$ 13,521	-	-	-	\$ 13,521
Acquisition costs	12,441	-	-	-	12,441
Exploration expenditures	109,000	-	-	-	109,000
September 30, 2020	134,962	-	-	-	134,962
Shares issued	-	\$30,000	\$15,000	\$15,000	60,000
Option payments	-	10,000	5,000	5,000	20,000
Drilling	64,572	-	-	168,705	233,277
Staking	-	-	9,746	8,979	18,725
Magnetic survey	-	-	-	9,038	9,038
Permits	-	2,286	976	1,548	4,810
YMEP grant	(40,000)	-	-	-	(40,000)
June 30, 2021	\$159,534	\$42,286	\$30,722	\$208,270	\$440,812

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.

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

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be purchased by Kestrel for \$1,000,000. All share issuances, cash payments and exploration work requirements are at the sole discretion of Kestrel.

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.

On August 4, 2021, the Company announced the acquisition of a series of mineral claims expanding Kestrel's QCM property. These acquisitions significantly increase the size of the QCM property to approximately 5,100 hectares including an approximate 14-kilometre strike length of the Manson fault zone. Total consideration of \$44,000 was paid for a 100% interest in these claims, free of NSR and work commitment provisions.

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.

Common Shares

As at June 30, 2021, Kestrel had 99,201,264 common shares outstanding.

- (i) 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 nine months. Share issuance costs were \$19,800 and all proceeds were allocated to the common shares.
- (ii) On November 18, 2020, Kestrel entered into option agreements to earn a 100% interest in the Grabben and Sixtymile properties and issued a total of 400,000, 200,000 pursuant to each agreement, common shares, with a fair value of \$30,000.
- (iii) On December 21, 2020, the Company entered into an option agreement to earn a 100% interest in the QCM property and issued a total of 400,000 common shares with a fair value of \$30,000.
- (iv) On April 28, 2021, Kestrel closed its non-brokered private placement, a combination of Common Share Units and Flow-Through Units, and raised gross proceeds of \$1,200,000. Share issuance costs were \$52,064 and all proceeds were allocated to the common shares. A total of 11,593,336 units on the following basis:

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- a. 9,560,000 common share units were issued at a price of \$0.10 per Common Share Unit for gross proceeds of \$956,000. Each Common Share 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 from the date of issue at a price of \$0.20 per common share for the first 18 months and at a price of \$0.25 per common share thereafter; and
- b. 2,033,335 flow-through units issued at a price of \$0.12 per Flow-Through Unit for gross proceeds of \$244,000. Each Flow-Through Unit consists of one common share issued on a flow-through basis pursuant to the Income Tax Act (Canada) and one-half of one common share purchase warrant, each whole warrant, entitles the holder to purchase one common share of the Corporation on a non-flow-through basis for a period of 24 months from the date of issuance at a price of \$0.20 per Flow-Through Warrant Share for the first 18 months and at a price of \$0.25 per Flow-Through Warrant Share thereafter.

(v) During the nine months ended June 30, 2021

- a. 657,720 warrants were exercised at \$0.05 for gross proceeds of \$32,886;
- b. 2,357,000 warrants were exercised at \$0.07 for gross proceeds of \$164,990; and
- c. 700,000 stock options were exercised at \$0.05 for gross proceeds of \$35,000.

(vi) Subsequent to June 30, 2021, 500,000 stock options were exercised at \$0.05 for gross proceeds of \$25,000.

Stock Options

As at June 30, 2021, the following stock options were outstanding and exercisable:

		2021	2020
Expiry Date	Exercise Price	Number of Options	Number of Options
April 4, 2022	\$0.05	1,650,000	1,650,000
July 25, 2025	\$0.05	3,750,000	-
October 25, 2025	\$0.10	350,000	-
		5,750,000	1,650,00

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Continuity of stock options is as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance at June 30, 2020	1,650,000	\$0.05
Issued	4,450,000	\$0.05
Balance at September 30, 2020	6,100,000	\$0.05
Issued	350,000	\$0.10
Exercised	(700,000)	\$0.05
Balance at June 30, 2021	5,750,000	\$0.05

During the period ended June 30, 2021, the Company granted 350,000 options to a consultant, exercisable until October 19, 2025 at an exercise price of \$0.10 per option and vesting on grant. The fair value of the options granted was \$33,372, determined using the Black-Scholes option pricing model with the following assumptions:

	2021
Expected life (years)	5
Grant date fair value per share	\$0.10
Interest rate	0.35%
Volatility	180%
Dividend yield	0%

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

Warrants

As at June 30, 2021, the following common share purchase warrants were outstanding and exercisable:

		2021	2020
Expiry Date	Exercise Price	Number of Warrants	Number of Warrants
September 5, 2024	\$0.05	3,463,720	6,444,440
September 2, 2022	\$0.07	6,143,000	-
November 15, 2022	\$0.16	1,937,500	-
April 21, 2003	\$0.20	5,796,668	-
		17,340,888	6,444,440

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Continuity of share purchase warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at September 30, 2019	28,684,106	\$0.05
Expired	(7,756,000)	\$0.05
Balance at June 30, 2020	20,928,106	\$0.05
Expired	(14,483,666)	\$0.05
Issued Private Placement	8,500,000	\$0.07
Exercised	(2,323,000)	\$0.05
Balance at September 30, 2020	12,621,440	\$0.06
Issued Private Placement	1,937,500	\$0.16
Issued Private Placement	5,796,668	\$0.20
Exercised	(657,720)	\$0.05
Exercised	(2,357,000)	\$0.07
Balance at June 30, 2021	17,340,888	\$0.12

5. Related Party Transactions

The Company entered into the following transactions with related parties during the period ended June 30, 2021:

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:

	2021	2020
Short-term benefits	\$ 82,500	\$ 23,000

Short-term benefits are comprised of management fees payable to the CEO and CFO.

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.

6. 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.

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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, 2021.

7. Financial Instruments and Risk

The Company's financial instruments consists of cash, accounts receivable and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values, unless otherwise noted. Cash 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, 2021, the Company had cash of \$1,584,064 (September 30, 2020 - \$363,217), accounts receivable of \$24,873 (September 30, 2020 - \$11,457) and current liabilities of \$137,934 (September 30, 2020 - \$130,843). The Company's cash is held with a major financial institution. In addition, the Company's drilling deposits of \$15,000 will be applied to its 2021 drilling program, the accounts receivable are GST input credits and 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 future financial commitments and obligations.

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.

8. Segment Information

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