

Kestrel Gold Inc
(An Exploration Stage Company)

Condensed Interim Financial Statements
(Unaudited)

Three and Nine Months Ended June 30, 2022 and 2021

Expressed in Canadian Dollars

Notice of No Auditor Review of Unaudited Condensed Interim Financial Statements

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

Calgary, Alberta
August 9, 2022

Kestrel Gold Inc.

(An Exploration Stage Company)

Condensed Interim Statements of Financial Position

(Unaudited)

(Expressed in Canadian Dollars)

	Note	June 30 2022	September 30 2021
Assets			
Current			
Cash		\$ 714,473	\$ 1,177,491
Accounts receivable		27,306	46,590
Prepaid expense		4,738	2,400
		746,517	1,226,481
Exploration and evaluation assets	3	1,221,908	814,778
		\$ 1,968,425	\$ 2,014,259
Liabilities			
Current			
Accounts payable and accrued liabilities		\$ 140,220	\$ 132,166
Shareholders' Equity			
Share capital	4	15,436,312	15,314,589
Other equity reserves		1,934,796	1,963,519
Deficit		(15,542,903)	(15,369,015)
		1,828,205	1,909,093
		\$ 1,968,425	\$ 2,041,259

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 financial statements.

Kestrel Gold Inc.

(An Exploration Stage Company)

Condensed Interim Statements of Loss and Comprehensive Loss**(Unaudited)****(Expressed in Canadian Dollars)**

	Three months ended June 30, 2022	Three months ended June 20, 2021	Nine months ended June 30, 2022	Nine months ended June 20, 2021
Expenses				
Consulting fees - Note 6	\$ 38,060	\$ 35,670	\$ 112,420	\$ 89,358
Investor relations & website	13,883	7,287	22,659	41,716
Professional fees	6,978	1,850	13,011	21,388
Administration	2,572	7,536	10,645	13,137
Listing and filing fees	100	6,300	8,003	9,141
Insurance	2,375	-	7,150	8,250
Stock-based compensation	-	-	-	33,372
Comprehensive Loss	\$ 63,968	\$ 58,643	\$ 173,888	\$ 216,362
Loss per Share	\$ 0.001	\$ 0.001	\$ 0.002	\$ 0.002
Weighted average number of common shares outstanding	101,361,154	95,706,213	100,687,894	87,416,563

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

Kestrel Gold Inc.
(An Exploration Stage Company)
Condensed Interim Statements of Cash Flows
(Unaudited)
(Expressed in Canadian Dollars)

	Nine months Ended June 30, 2022	Nine months Ended June 30, 2021
Operating Activities		
Net loss for the period	\$ (173,888)	\$ (216,362)
Items not affecting cash		
Share-based payments	-	33,372
	(173,888)	(182,990)
Changes in non-cash working capital		
Accounts receivable	19,284	(13,416)
Prepays	(2,338)	-
Accounts payable and accrued liabilities	8,054	7,091
	25,000	(6,325)
Cash used for Operating Activities	(148,888)	(189,315)
Financing Activities		
Proceeds on exercise of options	25,000	35,000
Proceeds on issuance of units	-	1,510,000
Proceeds on exercise of warrants	-	197,876
Share issuance costs	-	(71,864)
Cash provided by Financing Activities	25,000	1,671,012
Investing Activities		
Exploration and evaluation assets – net of YMEP	(339,130)	(245,850)
Drilling deposits	-	(15,000)
Cash used for Investing Activities	(339,130)	(260,850)
(Outflow) Inflow (of Cash	(463,018)	1,220,847
Cash, Beginning of Period	1,177,491	363,217
Cash, End of Period	\$ 714,473	\$ 1,584,064

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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, 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
Exercise of options	1,150,000	116,738	(59,238)	-	57,500
Share issue costs	-	(1,234)	-	-	(1,234)
Net loss for the period	-	-	-	(73,988)	(73,988)
September 30, 2021	100,351,264	\$15,314,589	\$ 1,963,519	\$(15,369,015)	\$ 1,909,093
Exercise of options	500,000	53,723	(28,723)	-	25,000
Shares issued for properties	800,000	68,000	-	-	68,000
Net loss for the period	-	-	-	(173,888)	(173,888)
June 30, 2022	101,651,264	\$15,436,312	\$1,934,796	\$(15,542,903)	\$ 1,828,205

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

Kestrel Gold Inc.

(An Exploration Stage Company)

Notes to Condensed Interim Financial Statements

(Unaudited)

(Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

Kestrel Gold Inc. (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 12 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 International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of business for the foreseeable future as they come due. The Company has incurred losses since inception and as at June 30, 2022, has a deficit of \$15,542,903 (September 30, 2021 - \$15,369,015). 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.

Kestrel Gold Inc.

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Notes to Condensed Interim Financial Statements

(Unaudited)

(Expressed in Canadian Dollars)

2. Basis of Presentation

(a) Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, as issued by the International Accounting Standards Board ("IASB"), including International Accounting Standard 34 - Interim Financial Reporting. These condensed in the financial statements do not contain all of the information required for full annual financial statements. The condensed interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended September 30, 2021, 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 financial statements were authorized for issue by the Board of Directors on August 9, 2022.

(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, 2021.

(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 four separate option agreements to acquire a 100% interest in QCM, Sixtymile, Grabben and Fireweed for additional information on the option agreements and properties refer to the Company's June 30, 2022 MD&A, audited September 30, 2021 financial statements and Kestrel's website.

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	KSD \$	Grabben \$	Sixtymile \$	QCM \$	Fireweed \$	Total \$
September 30, 2020	134,962	-	-	-	-	134,962
Acquisition	-	28,979	29,746	40,000	-	98,725
Drilling	36,502	168,705	-	-	-	205,207
Prospecting	18,295	8,979	9,746	-	-	37,020
Assaying	6,275	9,038	-	-	-	15,313
Reporting	-	1,548	976	2,286	-	4,810
YMEP grant	(40,000)	-	-	-	-	(40,000)
June 30, 2021	159,534	208,270	30,722	42,286	-	456,037
Acquisition	-	-	3,483	-	-	3,483
Drilling	(655)	2,350	91,345	-	-	93,040
Prospecting	6,955	-	50,377	-	-	57,332
Geo-physical survey	-	-	33,800	-	-	33,800
Reporting	3,500	-	-	-	-	3,500
Assaying	-	3,784	17,833	-	-	21,617
September 30, 2021	165,834	218,918	236,330	193,696	-	814,778
Acquisition	-	11,000	11,000	64,380	8,500	94,880
Drilling	-	-	-	302,400	-	302,400
Prospecting	-	-	(12,758)	21,070	4,203	12,515
Assaying	1,335	-	1,336	69,664	-	72,335
Reporting	-	2,500	2,500	-	-	5,000
YMEP grant	-	(40,000)	(40,000)	-	-	(80,000)
June 30, 2022	167,169	192,418	198,408	651,210	12,703	1,221,908

On May 4, 2022, Kestrel entered into an arm's length option agreement under which the Company may earn a 100% interest in the 1,855-hectare Fireweed project ("Fireweed") located in central British Columbia, 53 kilometres northeast of Smithers BC, between the villages of Granisle and Smithers Landing, refer to Kestrel's May 5, 2022 news release for further details.

To exercise the option and earn a 100% interest in Fireweed, the Company will issue 1,500,000 common shares, 100,000 due on signing; make cash payments totaling \$250,000, \$10,000 due on signing, and complete a minimum of \$375,000 of exploration work, \$75,000 by the first anniversary of signing, over a five-year term. Fireweed is subject to a 2% NSR, capped at five million dollars, plus an additional 0.5% NSR that increases to 1.5% once the initial royalty is paid out. Kestrel shall also make the following bonus payments to the Optionor: within 30 days of Kestrel receiving a report pertaining to the Property that details a mineral deposit or deposits that individually or in aggregate exceed 1,250,000 tonnes in size in the total Inferred Mineral Resource or greater category, as such term is defined in National Instrument 43-101 - Standards of Disclosure for Mineral Projects, Kestrel shall pay to the Optionor \$0.025 per oz of contained silver to a maximum of \$200,000; Kestrel will also issue and deliver to the optionor 1,000,000 shares or \$200,000, at the sole discretion of the Optionor, on a decision to place the Property into commercial production.

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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, 2022, Kestrel had 101,651,264 (June 30, 2021 – 99,201,264) common shares outstanding.

Stock Options

As at June 30, 2022 the following stock options were outstanding and exercisable:

		2022	2021
Expiry Date	Exercise Price	Number of Options	Number of Options
July 25, 2025	\$0.05	3,750,000	4,100,000
October 25, 2025	\$0.10	350,000	350,000
		4,100,000	6,100,000

Continuity of stock options is as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance at September 30, 2020	6,100,000	\$0.05
Issued	350,000	\$0.10
Exercised	(350,000)	\$0.05
Balance at June 30, 2021	6,100,000	\$0.05
Exercised	(1,500,000)	\$0.05
Balance at	4,600,000	\$0.05
Exercised	(500,000)	\$0.05
Balance at June 30, 2022	4,100,000	\$0.05

Warrants

As at June 30, 2022, the following common share purchase warrants were outstanding and exercisable:

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		2022	2021
Expiry Date	Exercise Price	Number of Warrants	Number of Warrants
September 5, 2024	\$0.05	3,463,720	4,041,440
September 2, 2022	\$0.07	6,143,000	8,000,000
February 15, 2023	\$0.16/\$0.20	1,937,500	1,937,500
April 23, 2023	\$0.20/\$0.25	5,796,668	-
Balance at June 30, 2022 & September 30, 2021		17,340,888	13,978,940

Continuity of share purchase warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at September 30, 2020	12,621,440	\$0.06
Issued Private Placement	1,937,500	\$0.16
Exercised	(580,000)	\$0.06
Balance at June 30, 2021	13,978,940	\$0.08
Issued Private Placement	5,796,668	\$0.20
Exercised	(77,720)	\$0.05
Exercised	(2,357,000)	\$0.07
Balance at June 30, 2022 & September 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, 2022:

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:

	2022	2021
Short-term benefits	\$ 103,500	\$ 82,500

Short-term benefits are comprised of management fees payable to the CEO and CFO. For the nine months ended June 30, 2022, the CEO was paid \$67,500 and the CFO was paid \$36,000.

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.

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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.

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, 2022.

7. Financial Instruments and Risk

The Company's financial instruments consists of cash, accounts receivable, restricted cash, bank indebtedness, accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values, unless otherwise noted. Cash, restricted cash, bank indebtedness, and accounts payable and accrued liabilities are measured based on Level 1 of the fair value hierarchy.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash, restricted cash and receivables. The Company limits its exposure to credit loss by placing its cash with major financial institutions, and accounts receivable is held with the Canadian government.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2022, the Company had current assets of \$746,517 comprised of cash of \$714,473, accounts receivable of \$27,306 and prepaids of \$4,738 and current liabilities of \$140,220. The Company's cash is held with major financial institutions. The Company's accounts receivable are GST input credits and accounts payable and accrued liabilities have contractual maturities of 30 days 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.

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Notes to Condensed Interim Financial Statements

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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.