

# **Kestrel Gold Inc**

## **Interim MD&A – Quarterly Highlights**

### **Nine Months Ended June 30, 2023**

---

This Management's Discussion and Analysis ("MD&A") of Kestrel Gold Inc ("Kestrel" or the "Company") is dated August 22, 2023, and provides a discussion of the Company's financial and operating results for the quarter ended June 30, 2023, 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, 2022, 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 2023 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. 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 two separate option agreements to acquire a 100% interest in QCM and Fireweed. 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 Nine months ended June 30, 2023**

The Company made exploration expenditures of \$92,799 during the period. Expenditures at QCM were \$74,399 including a \$10,000 option payment on the QCM property together with the issuance of 600,000 common shares at a deemed price of \$0.055 per share and a prospecting program. Expenditures at Fireweed were \$18,400. Kestrel prepared, submitted, and after June 30, 2023, received a three-year work permit allowing for reverse circulation drilling and excavator trenching with respect to QCM.

### **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 of June 30, 2023, Kestrel had working capital of \$214,950 comprised of current assets of \$273,059 of which \$260,851 was cash, \$12,208 was accounts receivable and prepaids and current liabilities of \$58,109.

Kestrel will need to raise additional funds by way of issuing equity 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 in the Yukon and central British Columbia and consist of a 100% interest in King Solomon's Dome and two separate option agreements to acquire a 100% interest in the QCM and Fireweed projects.

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.

### QCM

On December 15, 2020, Kestrel entered into an option agreement to earn a 100% interest in the QCM property located in north-central 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, 500,000, 600,000, 1,000,000 and 1,500,000 on the first through fourth anniversaries.
- Make cash payments totaling \$150,000: \$10,000 due on signing, \$10,000, \$10,000, \$20,000, and \$100,000 on the first through fourth anniversaries.
- Complete \$750,000 of exploration work, \$50,000 by the first anniversary of signing, and \$150,000, \$200,000, and \$350,000 in the subsequent years.

To date Kestrel has made option payments of \$30,000; issued 1,500,000 common shares and made eligible expenditures of approximately \$700,000.

The property is subject to a 2% NSR, 50% of which can be purchased by Kestrel for \$1,000,000. All future share issuances, cash payments and exploration work requirements are at the sole discretion of Kestrel.

The QCM property is 6,906 hectares covering an approximate 15-kilometre strike length of the Manson Fault Zone, which is thought to be a controlling structure for much of the gold mineralization in the district. QCM is being explored for near surface, bulk tonnage gold targets consisting of replacement and vein style mineralization within carbonate altered and pyritic volcanic greywacke and argillite. Two main target areas occur on the property, Main Zone and 14 Vein as well as numerous other historical showings. Recently completed logging and associated road building has significantly improved access throughout the property which is proving of significant value to exploration efforts.

Peak values from historical drilling completed within the Main Zone were found within hole QCM04-002 which intersected an interval of 2.86 g/t Au over 110.95 metres, including a high-grade interval of 173 g/t Au over 1.5 metres, true widths unknown.

Prospecting during 2022 resulted in the discovery of the 14 Vein showing, drilling of which returned 2.33 g/t Au over 44.19 metres. Geology consists of silica and carbonate altered argillite cut by sheeted quartz veins.

Numerous historical showings occur throughout the project area, including Farrell where historical values of up to 1,777 g/t Au and 3,560 g/t Ag were returned from grab samples of a 3.0-metre-wide quartz vein and Flagstaff where historical values of up to 5.9 g/t Au and 1,153 g/t Ag were reported for grab samples of quartz veins and stockworks.

### Fireweed

On May 3, 2022, Kestrel entered into an option agreement to earn a 100% interest in the 1,855-hectare Fireweed project located in central British Columbia, 53 kilometres northeast of Smithers BC, south and west of the villages of Granisle and Smithers Landing.

To exercise the option and earn a 100% interest in the property Kestrel will:

- Issue 1,500,000 common shares: 100,000, on signing, 100,000, 100,000, 100,000, 250,000 and 850,000 on the first through fifth anniversaries.

- Make cash payments totaling \$250,000: \$10,000, on signing, \$10,000, \$10,000, \$10,000, \$50,000 and \$160,000 on the first through fifth anniversaries.
- Complete \$375,000 of exploration work: \$75,000 by the first anniversary of signing, and \$150,000, \$225,000, \$300,000, and \$375,000 in the subsequent years.
- Additional payments are required 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 (“NI 43-101”)), Kestrel shall pay to Kreft \$0.025 (2.5 cents) per oz of contained silver to a maximum of \$200,000 and issue and deliver 1,000,000 shares or \$200,000, at the sole discretion of Kreft, on a decision to place the Property into Commercial Production, as that term is defined in Schedule B of the Underlying Agreement.

The property is subject to a 2% NSR, 50% of which can be purchased by Kestrel for \$1,000,000. All future share issuances, cash payments and exploration work requirements are at the sole discretion of Kestrel.

The project is located within the Skeena Arch which is a northeast trending arc transverse structural corridor, separating the Bowser and Nechako basins, that comprises some of the most richly endowed terrain in British Columbia. Mineralization consists of epithermal style sediment hosted replacements, breccia zones and veinlets.

### King Solomon Dome, Yukon

On October 31, 2010, the Company entered into an option agreement pursuant to which it acquired the right to earn a 100% interest in King Solomon Dome, (“KSD”). The 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.

### Results of Operations for the period ended June 30, 2023

The net loss for the nine months ended June 30, 2023, was \$117,984 compared to \$173,888 for the same period in 2022. The \$55,904 decrease in the net loss is largely due to lower management and consulting fees of \$48,080 together with smaller overall decreases in other expenses.

	<b>Nine Months Ended Jun 30 2023</b>	Nine Months Ended Jun 30 2022	Increase (Decrease)
Management and consulting fees	<b>\$64,340</b>	<b>\$112,420</b>	<b>\$(48,080)</b>
Investor relations and website	<b>26,067</b>	<b>22,659</b>	<b>3,408</b>
Listing and filing fees	<b>9,721</b>	8,003	1,718
Insurance	<b>6,530</b>	7,150	(620)
Office and administration	<b>6,223</b>	10,645	(4,422)
Professional fees	<b>5,103</b>	13,011	(7,908)
<b>Net Loss</b>	<b>\$117,984</b>	\$173,888	\$(55,904)

- Management and consulting fees decreased \$48,080 because of lower monthly compensation paid to the CEO and CFO of \$5,000 and \$1,500 in 2023 as compared to \$7,500 and \$4,000 in 2022.
- Investor relations and website expenses were slightly higher due to increases in expenses associate with the 2023 AGM.
- Other expenses decreased period over period as the Company remained focused on keeping costs low.

## Summary of Quarterly Results

The following table summarizes selected financial data reported by the Company for the Nine months ended June 30, 2023, and the seven previous quarters.

	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022
<b>Current assets</b>	\$273,059	\$305,661	\$361,213	\$503,898
<b>Exploration and evaluation assets</b>	1,095,878	1,064,999	1,064,479	1,003,079
<b>Total assets</b>	1,368,937	1,370,660	1,425,692	1,491,977
<b>Current liabilities</b>	58,109	14,558	33,513	111,165
<b>Working capital</b>	214,950	291,103	327,700	392,733
<b>Net loss</b>	45,272	38,077	34,633	457,808
<b>Basic and diluted loss per share</b>	0.0004	0.0004	\$0.0003	\$0.0005
<b>Weighted avg. shares outstanding</b>	102,614,336	102,614,336	102,556,640	101,831,713
	Jun 30, 2022	Mar 31, 2021	Dec 31, 2021	Sep 30, 2021
<b>Current assets</b>	\$746,617	\$939,743	\$916,710	\$1,226,481
<b>Exploration and evaluation assets</b>	1,221,908	956,606	981,047	814,778
<b>Total assets</b>	1,968,425	1,896,349	1,897,757	2,041,259
<b>Current liabilities</b>	140,220	72,176	36,274	132,166
<b>Working capital</b>	606,397	864,567	880,436	1,094,315
<b>Net loss</b>	63,968	62,310	47,610	71,146
<b>Basic and diluted loss per share</b>	\$0.001	\$0.001	\$0.001	\$0.001
<b>Weighted avg. shares outstanding</b>	101,361,154	100,356,820	100,351,264	99,212,778

Variances 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, 2023** – The Company completed its 2023 prospecting program at QCM. Kestrel reduced its loss for the quarter by decreasing consulting fees.
- **Mar 31, 2023** – The Company prepared and applied for a three-year work permit at QCM which will allow reverse circulation drilling and excavator trenching. Kestrel reduced its loss for the quarter by decreasing consulting fees.
- **Dec 31, 2022** – Kestrel made a \$10,000 cash payment and issued 600,000 common shares at a deemed price of \$0.055 per share pursuant to the terms of the QCM option agreement. The Company started work on a report on the Fireweed property.
- **Sep 30, 2022** – The Company completed its Phase 2 - 2022 RC drill program. 363,072 warrants were exercised at \$0.07 per share for gross proceeds of \$25,415. Kestrel elected to end its Grabben and Ninetymile

option agreements, resulting in an impairment charge of \$0.39 million with respect to costs incurred on the properties.

- **Jun 30, 2022** – Kestrel undertook prospecting and drilling on its QCM property and entered into an option agreement to acquire a 100% interest in Fireweed. Pursuant to the various property option agreements a total of 800,000 common shares were issued at a deemed value of \$0.085 per share and cash payments of \$25,000 were made during the quarter.
- **Mar 31, 2022** – The Company received total YMEP grants of \$80,000 with respect to its 2021 exploration programs at Grabben and Sixtymile and 500,000 stock options were exercised at \$0.05 per share for gross proceeds of \$25,000. The Company gratefully acknowledges the ongoing support of the Yukon government. The 2021 QCM drill samples were submitted for analysis and the results were disseminated in the Company's April 24, 2022, news release.
- **Dec 31, 2021** – Kestrel completed its inaugural QCM RC drill program, costs incurred \$0.16 million. Current assets decreased \$0.31 million due to a decrease in accounts payable, incurring operating expenses and exploration expenditures.
- **Sep 30, 2021** – The Company continued to execute on its 2022 exploration program, total costs incurred during the quarter were \$0.35 million, including prospecting at KSD, Sixtymile and QCM, geophysical surveying at QCM and the acquisition of additional claims at QCM.

## Outstanding Share Information

Kestrel had the following common shares, warrants and stock options outstanding as at June 30, 2023 and as of the report date.

	<b>June 30, 2023</b>	<b>Issued</b>	<b>Expired</b>	<b>Report Date</b>
<b>Common shares</b>	102,614,336	-	-	102,614,336
<b>Warrants</b>	3,463,720	-	-	3,463,720
<b>Stock options</b>	4,000,000	-	-	4,00,000
<b>Fully diluted shares outstanding</b>	110,078,056	-	-	110,078,056

## Plans for 2023

- QCM geological mapping will be updated to incorporate the results of the summer 2023 prospecting program and the 2022 RC drill program to identify new RC drilling targets.

## Risk and Uncertainties

The Company is subject to several 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](http://www.sedar.com) and at the Company's website [www.kestrelgold.com](http://www.kestrelgold.com).