

Kestrel Gold Inc
(An Exploration Stage Company)

Condensed Interim Financial Statements
(Unaudited)

For the Nine Months Ended June 30, 2023
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 22, 2023

Kestrel Gold Inc.

(An Exploration Stage Company)

Condensed Interim Statements of Financial Position

(Unaudited)

(Expressed in Canadian Dollars)

	Note	June 30, 2023	September 30, 2022
Assets			
Current			
Cash		\$ 260,851	\$ 461,003
Accounts receivable		8,458	40,115
Prepaid expenses		3,750	2,780
		273,059	503,898
Exploration and evaluation assets	4	1,095,878	1,003,079
		\$ 1,368,937	\$ 1,506,977
Liabilities			
Current			
Accounts payable and accrued liabilities	6	\$ 58,109	\$ 111,165
Shareholders' Equity			
Share capital	5	15,494,727	15,461,727
Other equity reserves		1,934,796	1,934,796
Deficit		(16,118,695)	(16,000,711)
		1,310,828	1,395,812
		\$ 1,368,937	\$ 1,506,977

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, 2023	Three months ended June 30, 2022	Nine months ended June 30, 2023	Nine months ended June 30, 2022
Expenses				
Consulting fees	\$ 20,620	\$ 38,060	\$ 64,340	\$ 112,420
Investor relations	16,830	13,883	26,067	22,659
Listing and filing fees	1,500	100	9,721	8,003
Insurance	1,875	2,375	6,530	7,150
Office and administration	2,217	2,572	6,223	10,645
Professional fees	2,230	6,978	5,103	13,011
Comprehensive Loss	\$ 45,272	\$ 63,968	\$ 117,984	\$ 173,888
Loss per Share	\$ 0.0004	\$ 0.0006	\$ 0.0011	\$ 0.0017
Weighted Average Common Shares	102,614,336	101,361,154	102,493,457	100,687,894

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, 2023	Nine months Ended June 30, 2022
Operating Activities		
Net loss for the period	\$ (117,984)	\$ (173,888)
Changes in non-cash working capital		
Accounts receivable	31,657	19,284
Prepays	(970)	(2,338)
Accounts payable and accrued liabilities	(53,056)	8,054
	(22,369)	25,000
Cash used for Operating Activities	(140,353)	(148,888)
Financing Activities		
Proceeds on exercise of options	-	25,000
Cash provided by Financing Activities	-	25,000
Investing Activities		
Exploration and evaluation assets – net of YMEP	(59,799)	(339,130)
Cash used for Investing Activities	(59,799)	(339,130)
Outflow of Cash	(200,152)	(463,018)
Cash, Beginning of Period	461,003	1,177,491
Cash, End of Period	\$ 260,851	\$ 714,473

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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, 2021	100,351,264	\$15,314,589	\$ 1,963,519	\$ (15,369,015)	\$ 1,909,093
Net loss for the period	-	-	-	(173,888)	(173,888)
Exercise of options	500,000	53,723	(28,723)	-	25,000
Shares issued for properties	800,000	68,000	-	-	68,000
June 30, 2022	101,651,264	\$15,436,312	\$1,934,796	\$(15,542,903)	\$1,828,205
Exercise of warrants	363,072	25,415	-	-	25,415
Net loss for the period	-	-	-	(457,808)	(457,808)
September 30, 2022	102,014,336	\$15,461,727	\$ 1,934,796	\$ (16,000,711)	\$1,395,812
Shares issued for properties	600,000	33,000	-	-	33,000
Net loss for the period	-	-	-	(117,984)	(117,984)
June 30, 2023	102,614,336	\$15,494,727	\$1,934,796	\$(16,118,695)	\$1,310,828

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 #2110 - 500 4 Avenue SW, Calgary, Alberta, T2P 2V6.

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, 2023, has a deficit of \$16,118,695 (September 30, 2022 - \$16,000,711). 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.

2. Basis of Presentation

(a) Statement of Compliance

These condensed interim 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 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, 2022, which have been prepared in accordance with IFRS as issued by the IASB.

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(Unaudited)

(Expressed in Canadian Dollars)

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 22, 2023.

(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, 2022.

(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 in Western Canada, within the Canadian Cordillera. 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 for additional information on the option agreements and properties refer to the Company's June 30, 2023, MD&A; September 30, 2022, audited financial statements; September 30, 2022, MD&A and Kestrel's website.

Kestrel Gold Inc.

(An Exploration Stage Company)

Notes to Condensed Interim Financial Statements

(Unaudited)

(Expressed in Canadian Dollars)

	King Solomon Dome	Grabben	Sixtymile	QCM	Fireweed	Total
September 30, 2021	165,834	218,918	236,330	193,696	-	814,778
Drilling	-	-	-	482,828	-	482,828
Acquisition costs	-	11,000	11,000	54,381	18,500	94,881
Assaying	1,336	-	1,336	54,664	-	57,336
Prospecting	-	-	(12,760)	21,070	10,770	19,080
Reporting	-	2,500	2,500	-	-	5,000
YMEP grant	-	(40,000)	(40,000)	-	-	(80,000)
Impairment	-	(192,418)	(198,406)	-	-	(390,824)
September 30, 2022	167,170	-	-	806,639	29,270	1,003,079
Acquisition costs	-	-	-	74,399	-	74,399
Reporting	-	-	-	-	18,400	18,400
June 30, 2023	167,170	-	-	881,038	47,670	1,095,878

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 of June 30, 2023, Kestrel had 102,614,336 (June 30, 2022 – 101,651,264) common shares outstanding.

Stock Options

As of June 30, 2023, and June 30, 2022, the following stock options were outstanding and exercisable:

		2023	2022
Expiry Date	Exercise Price	Number of Options	Number of Options
July 25, 2025	\$0.05	3,650,000	3,750,000
October 25, 2025	\$0.10	350,000	350,000
		4,000,000	4,100,000

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Continuity of stock options is as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance Sep 30, 2022	4,100,000	\$0.06
Cancelled	(100,000)	\$0.05
Balance June 30, 2023	4,000,000	\$0.06

Warrants

As of June 30, 2023, and June 30, 2022, the following common share purchase warrants were outstanding and exercisable:

		2023	2022
Expiry Date	Exercise Price	Number of Warrants	Number of Warrants
Sep 5, 2024	\$0.05	3,463,720	3,463,720
Apr 23, 2023	\$0.25	-	5,796,668
Nov 16, 2022	\$0.20	-	1,937,500
Sep 2, 2022	\$0.07	-	6,143,000
		3,463,720	17,340,888

Continuity of share purchase warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance on June 30, 2022, and Sep 30, 2022	17,340,888	\$0.12
Exercised	(363,072)	0.07
Expired	(5,779,928)	0.07
Balance on Sep 30, 2022	11,197,888	0.16
Expired	(7,734,168)	0.22
Balance on Jun 30, 2023	3,463,720	\$0.05

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6. Related Party Transactions

The Company entered the following transactions with related parties during the period ended June 30, 2023:

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:

	2023	2022
Short-term benefits	\$ 58,500	\$ 103,500

Short-term benefits are comprised of management fees payable to the CEO and CFO. For the Nine months ended June 30, 2023, the CEO was paid \$45,000 and the CFO was paid \$13,500.

As of June 30, 2023, \$14,700 (2022 - nil) is included in accounts payable and accrued liabilities for management fees owing to the CEO.

All advances and amounts due to related parties have repayment terms like the Company's other accounts receivable and payable and are unsecured and without interest.

All the above transactions and balances are in the normal course of operations.

7. 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 to support its business and maximize shareholder value. Kestrel manages its capital structure and adjusts 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, 2023.

8. Financial Instruments and Risk

The Company's financial instruments consist 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:

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Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of 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 of June 30, 2023, the Company had cash of \$260,851, accounts receivable and prepaids of \$12,208 and current liabilities of \$58,109. 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 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.

9. Segment Information

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