

Kestrel Gold Inc
(An Exploration Stage Company)

Condensed Interim Financial Statements
(Unaudited)

For the Three Months Ended December 31, 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. These financial statements have not been reviewed by the Company's external auditors.

Calgary, Alberta
February 24, 2021

Kestrel Gold Inc.

(An Exploration Stage Company)

Condensed Interim Statements of Financial Position

(Unaudited)

(Expressed in Canadian Dollars)

	Note	December 31 2020	September 30 2020
Assets			
Current			
Cash		\$ 472,856	\$ 363,217
Accounts receivable		52,097	11,457
		524,953	374,674
Exploration and evaluation assets	4	265,337	134,962
		\$ 790,290	\$ 509,636
Liabilities			
Current			
Accounts payable and accrued liabilities	6	\$ 98,955	\$ 130,843
Shareholders' Equity			
Share capital	5	13,823,041	13,434,609
Other equity reserves		2,039,489	2,022,849
Deficit		(15,171,195)	(15,078,665)
		691,335	378,793
		\$ 790,290	\$ 509,636

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)

	Note	Three months ended December 31 2020	Three months ended December 31 2019
Expenses			
Share-based payments	\$	33,372	\$ -
Management and consulting fees		26,988	12,463
Professional fees		15,034	975
Investor relations and website		11,034	1,743
Office and administration		3,261	1,629
Listing and filing fees		2,841	2,714
Net Loss and Comprehensive Loss for the Period		\$ 92,530	\$ 19,524
Basic and Diluted Loss per Share		\$ 0.001	\$ -
Weighted Average Common Shares Outstanding		82,309,186	67,395,208

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)

	2020	2019
Operating Activities		
Net loss for the year	\$ (92,530)	\$ (19,524)
Items not affecting cash		
Share-based payments	33,372	-
	(59,158)	(19,524)
Changes in non-cash working capital		
Accounts receivable	(40,640)	(950)
Accounts payable and accrued liabilities	(31,888)	10,431
	(72,528)	9,481
Cash used for Operating Activities	(131,686)	(10,043)
Financing Activities		
Proceeds on issuance of units	310,000	-
Proceeds on exercise of options	17,500	-
Proceeds on exercise of warrants	4,000	-
Share issuance costs	(19,800)	-
Cash provided by Financing Activities	311,700	-
Investing Activity		
Exploration and evaluation assets	(70,375)	(12,441)
Cash used for Investing Activity	(70,375)	(12,441)
Inflow (Outflow) of Cash	109,639	(22,484)
Cash, Beginning of Year	363,217	90,460
Cash, End of Year	\$ 472,856	\$ 67,976

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

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
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	-	-	-	(264,176)	(264,176)
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
Shares issued for properties	800,000	60,000	-	-	60,000
Exercise of options	350,000	34,232	(16,732)	-	17,500
Share-based payments	-	-	33,372	-	33,372
Exercise of warrants	80,000	4,000	-	-	4,000
Share issue costs	(17,800)	-	-	-	(17,800)
Net loss for the period	-	-	-	(92,530)	(92,530)
December 31, 2020	84,323,208	\$ 13,823,041	\$ 2,039,489	\$ (15,171,195)	\$ 691,335

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 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 December 31, 2020, has a deficit of \$15,171,195 (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 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.

(An Exploration Stage Company)

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

These financial statements were authorized for issue by the Board of Directors on February 24, 2021.

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 December 31, 2020 MD&A, audited September 30, 2020 financial statements and Kestrel’s website.

	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
Acquisition costs	-	40,000	29,746	28,979	98,725
Exploration expenditures, net of YMEP grant	31,649	-	-	-	60,417
December 31, 2020	166,612	40,000	29,746	28,979	265,337

Kestrel Gold Inc.

(An Exploration Stage Company)

Notes to Condensed Interim Financial Statements

(Unaudited)

(Expressed in Canadian Dollars)

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 December 31, 2020, Kestrel had 84,323,208 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 six months.
- (ii) On November 18, 2020, the Company 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.
- (iii) On October 8, 2020, 80,000 warrants were exercised at \$0.05 for gross proceeds of \$4,000.
- (iv) 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.
- (v) On December 29, 2020, 350,000 stock options were exercised at \$0.05 for gross proceeds of \$17,500.

Subsequent to December 31, 2020

- (vi) A total of 300,000 warrants were exercised at \$0.07 for gross proceeds of \$21,000.

Stock Options

As at December 31, 2020, the following stock options were outstanding and exercisable:

		2020	2019
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	4,100,000	-
October 25, 2025	\$0.10	350,000	-
		6,100,000	1,650,00

Kestrel Gold Inc.

(An Exploration Stage Company)

Notes to Condensed Interim Financial Statements

(Unaudited)

(Expressed in Canadian Dollars)

Warrants

As at December 31, 2020, the following common share purchase warrants were outstanding and exercisable:

Expiry Date	Exercise Price	2020	2019
		Number of Warrants	Number of Warrants
February 27, 2020	\$0.05	-	6,156,000
March 4, 2020	\$0.05	-	1,600,000
April 5, 2020	\$0.05	-	14,483,666
September 5, 2024	\$0.05	4,041,440	6,444,440
September 2, 2022	\$0.07	8,500,000	-
November 15, 2022	\$0.16	1,937,500	-
		14,478,940	28,684,106

6. Related Party Transactions

The Company entered into the following transactions with related parties during the period ended December 31, 2020:

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:

	2020	2019
Short-term benefits	\$ 25,500	\$ 9,000

Short-term benefits are comprised of management fees payable to the CEO and CFO. For the three months ended December 31, 2020, the CEO was paid \$18,000 in cash and \$4,500 was accrued as owing. The CFO was paid \$3,000 in cash. Accounts payable and accrued include \$5,250 (2019 - \$44,336) owing to an officer and director.

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.

Kestrel Gold Inc.

(An Exploration Stage Company)

Notes to Condensed Interim Financial Statements

(Unaudited)

(Expressed in Canadian Dollars)

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 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 December 31, 2020.

8. 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 December 31, 2020, the Company had cash of \$472,856, accounts receivable of \$52,097 and current liabilities of \$98,955. 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 of the Company's non-current assets are located in Canada.