

Kestrel Gold Inc.

(An Exploration Stage Company)

Financial Statements

Years Ended September 30, 2024 and 2023

(Expressed in Canadian Dollars)

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF KESTREL GOLD INC.

Opinion

We have audited the financial statements of Kestrel Gold Inc. (the "Company"), which comprise:

- ♦ the statements of financial position as at September 30, 2024 and 2023;
- ♦ the statements of loss and comprehensive loss for the years then ended;
- ♦ the statements of cash flows for the years then ended;
- ♦ the statements of changes in shareholders' equity for the years then ended; and
- ♦ the notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2024 and 2023, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of \$307,606 during the year ended September 30, 2024 and, as of that date had a deficit of \$16,476,565. As stated in Note 1, these events, or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended September 30, 2024. These matters were addressed in the context of our audit of the financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no other key audit matters to communicate in our auditors' report.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

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Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial information, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ◆ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Hervé Leong-Chung.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia

January 16, 2025

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Kestrel Gold Inc.
(An Exploration Stage Company)
Statements of Financial Position
As of September 30
(Expressed in Canadian Dollars)

	Note	2024	2023
Assets			
Current			
Cash and cash equivalents	4	\$ 130,576	\$ 201,045
Accounts receivable		12,093	13,991
Prepaid expense		1,250	2,200
		143,919	217,236
Exploration and evaluation assets	5	1,032,752	1,139,039
		\$ 1,176,671	\$ 1,356,275
Liabilities			
Current			
Accounts payable and accrued liabilities	7	\$ 38,580	\$ 95,711
		38,580	95,711
Shareholders' Equity			
Share capital	6	15,605,228	15,494,727
Other equity reserves		2,009,428	1,934,796
Deficit		(16,476,565)	(16,168,959)
		1,138,091	1,260,564
		\$ 1,176,671	\$ 1,356,275

Approved on behalf of the Board.

Signed "Patrick Lynch"
Patrick Lynch, Director

Signed "Scott Kellaway"
Scott Kellaway, Director

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

Kestrel Gold Inc.

(An Exploration Stage Company)

Statements of Loss and Comprehensive Loss**Years Ended September 30****(Expressed in Canadian Dollars)**

	Note	2024	2023
Expenses			
Management and consulting fees	7	\$ 105,688	\$ 84,653
Share-based compensation	7	74,632	-
Professional fees		30,396	25,974
Investor relations and website		27,706	29,626
Listing and filing fees		15,708	9,724
Office and administration		10,316	8,389
Insurance		5,950	8,080
Travel and promotion		1,602	2,507
		271,998	168,953
Other Items			
Interest income		(12,062)	(705)
Impairment of exploration and evaluation assets	5	47,670	-
Net Loss and Comprehensive Loss for the Year		\$ 307,606	\$ 168,248
Basic and Diluted Loss per Share		\$ 0.003	\$ 0.002
Weighted Average Common Shares		103,991,075	102,527,213

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

Kestrel Gold Inc.
(An Exploration Stage Company)
Statements of Cash Flows
Years Ended September 30
(Expressed in Canadian Dollars)

	2024	2023
Operating Activities		
Net loss for the year	\$ (307,606)	\$ (168,248)
Item not affecting cash		
Impairment of exploration and evaluation assets	47,670	-
Share-based compensation	74,632	-
	(185,304)	(168,248)
Changes in non-cash working capital		
Accounts receivable	1,898	26,124
Prepaid expense	950	580
Accounts payable and accrued liabilities	38,575	392
	(41,423)	(27,096)
Cash Used for Operating Activities	(143,881)	(141,152)
Investing Activity		
Exploration and evaluation assets	83,574	(118,806)
Cash Provided by (Used for) Investing Activity	83,574	(118,806)
Financing Activity		
Share issuance costs	(10,162)	-
Cash Provided by (Used for) Financing Activity	(10,162)	-
Outflow of Cash and cash equivalents	(70,469)	(259,958)
Cash and cash equivalents, Beginning of Year	201,045	461,003
Cash and cash equivalents, End of Year	\$ 130,576	\$ 201,045

Supplemental cash flow information

	2024	2023
Exploration and evaluation assets included in accounts payable	\$ -	\$ 50,043
Shares issued for debt settlement	\$ 45,663	\$ -
Shares issued for properties	\$ 75,000	\$ 33,000

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

Kestrel Gold Inc.

(An Exploration Stage Company)

Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

	Number	Share capital	Other equity reserves	Deficit	Total
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 year	-	-	-	(168,248)	(168,248)
September 30, 2023	102,614,336	\$15,494,727	\$1,934,796	\$(16,168,959)	\$1,260,564
Shares issued for properties	2,500,000	75,000	-	-	75,000
Shares issued on debt settlement	1,522,100	45,663	-	-	45,663
Share issue costs	-	(10,162)	-	-	(10,162)
Share-based compensation	-	-	74,632	-	74,632
Net loss for the year	-	-	-	(307,606)	(307,606)
September 30, 2024	106,636,436	\$15,605,228	\$ 2,009,428	\$(16,476,565)	1,138,091

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

Kestrel Gold Inc.

(An Exploration Stage Company)

Notes to Financial Statements

Years Ended September 30, 2024 and 2023

(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 is located at Suite 603 - 734 7th Avenue SW, Calgary, Alberta, T2P 3P8.

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 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 of September 30, 2024, had a deficit of \$16,476,565 (2023 - \$16,168,959). 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.

Kestrel Gold Inc.

(An Exploration Stage Company)

Notes to Financial Statements

Years Ended September 30, 2024 and 2023

(Expressed in Canadian Dollars)

2. Basis of Presentation

The 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 financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Material accounting policies are described in note 3.

These 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 January 16, 2025.

3. Material Accounting Policies

(a) Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and judgments.

Critical accounting estimates

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Impairment/reversal of impairment of exploration and evaluation assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases. When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined. Identifying the cash-generating units requires management judgment. Estimates of the recoverable amount requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Company's assets and earnings may occur during subsequent periods.

Kestrel Gold Inc.
(An Exploration Stage Company)
Notes to Financial Statements
Years Ended September 30, 2024 and 2023
(Expressed in Canadian Dollars)

3. Material Accounting Policies (continued)

(a) Critical Accounting Estimates and Judgments (continued)

***Critical accounting estimates* (continued)**

Assumptions used in the calculation of the fair value assigned to share-based payments

The Company uses the Black-Scholes option pricing model for valuation of share-based payments. Option pricing models require the input of subjective assumptions, including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate of stock-based compensation and the Company's equity reserves.

Critical accounting judgments

Critical accounting judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing expenditures, meet its liabilities for the ensuring year, and to fund planned and contractual exploration programs involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Government grants and Mining exploration tax credits

The Company is entitled to government grants and refundable tax credits on qualified mining exploration expenses incurred in the province of British Columbia. Management's judgment is applied in determining whether the Company has complied with all the conditions to receive the grants and the mining exploration expenses are eligible for claiming such credits. Those benefits are recognized when the Company estimates that it has reasonable assurance that the government grants will be received, or the tax credits will be realized.

Economic recoverability and profitability of future economic benefits of mineral property interests

Management has determined that exploration, evaluation, and related costs incurred, which were capitalized, have future economic benefits and are economically recoverable. Where future economic benefits and economic recovery are determined to be below the carrying value, management has assessed impairment.

Kestrel Gold Inc.

(An Exploration Stage Company)

Notes to Financial Statements

Years Ended September 30, 2024 and 2023

(Expressed in Canadian Dollars)

3. Material Accounting Policies (continued)

(b) Exploration and Evaluation Assets

All costs related to the acquisition of, exploration for, and development of mineral properties, net of recoveries, are capitalized on a property-by-property basis. If economically recoverable ore reserves are developed, capitalized costs of the related property will be reclassified as mineral assets and will be amortized using the unit-of-production method. When a property is abandoned, all related costs are written off to profit or loss. If, after management review, it is determined that the carrying amount of an exploration and evaluation asset is impaired, that property is written down to its estimated fair value. An exploration and evaluation asset is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

From time to time, the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. When the amount of recoveries exceeds the total amount of capitalized costs of the property, the amount in excess of costs is recorded in profit or loss.

(c) Impairment of Non-Current Assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") (the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflow from other assets or groups of assets). The recoverable amount of the asset (or CGU) is the greater of the asset's (or CGU's) fair value less costs to sell and its value in use to which the assets belong.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized in profit or loss for the period, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions on reserves and expected future production revenues and expenses.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Kestrel Gold Inc.

(An Exploration Stage Company)

Notes to Financial Statements

Years Ended September 30, 2024 and 2023

(Expressed in Canadian Dollars)

3. Material Accounting Policies (continued)

(e) Share-based Payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees, and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services like those performed by an employee.

The fair value of stock options granted to employees is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees, including finders' warrants, share-based payments are measured at the fair value of goods or services received. If the fair value of the goods or services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued.

(f) Loss per Share

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise, or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

Since the Company has net losses, the exercise of outstanding options, warrants, and convertible debentures has not been included in this calculation, as it would be anti-dilutive.

(g) Valuation of Equity Units Issued in Private Placements and Non-Monetary Consideration

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measured component, usually the common shares, and then the residual value, if any, to the warrants.

Share issue costs are netted against gross proceeds.

Shares issued for non-monetary consideration are recorded at an amount based on the fair value of the goods or services received. If the fair value of the goods or services received cannot be reliably measured, the consideration is recorded at an amount based on the quoted market value of the Company's shares on the date of share issuance. Shares to be issued, which are contingent upon future events or actions, are recorded by the Company when it is reasonably determinable that the shares will be issued.

Kestrel Gold Inc.

(An Exploration Stage Company)

Notes to Financial Statements

Years Ended September 30, 2024 and 2023

(Expressed in Canadian Dollars)

3. Material Accounting Policies (continued)

(h) Income Taxes

Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous periods.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(i) Financial Instruments

Financial assets

Recognition and measurement of financial assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

Classification of financial assets

The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income, or measured at fair value through profit or loss.

Financial assets measured at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost:

- The Company's business model for such financial assets is to hold the assets to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the financial asset is measured at amortized cost determined using the effective interest method, net of impairment loss, if necessary. The Company has no financial assets classified as measured at amortized cost.

Kestrel Gold Inc.
(An Exploration Stage Company)
Notes to Financial Statements
Years Ended September 30, 2024 and 2023
(Expressed in Canadian Dollars)

3. Material Accounting Policies (continued)

(i) Financial Instruments (continued)

Financial assets (continued)

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, the financial asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income. The Company has no financial assets classified as measured at FVTOCI.

Financial assets measured at fair value through profit or loss ("FVTPL")

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. After initial recognition, the financial asset is measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises. The Company classifies cash and cash equivalents as measured at FVTPL.

Derecognition of financial assets

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interest in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in the statement of loss and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income.

Financial liabilities

Recognition and measurement of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

Classification of financial liabilities

The Company classifies financial liabilities at initial recognition as financial liabilities: measured at amortized cost or measured at fair value through profit or loss.

Financial liabilities measured at amortized cost

A financial liability at amortized cost is initially measured at fair value less transaction costs directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method. The Company classifies accounts payable and accrued liabilities as measured at amortized cost.

Financial liabilities measured at fair value through profit or loss

A financial liability measured at fair value through profit or loss is initially measured at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial liability is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises. The Company has no financial liabilities classified as measured at fair value through profit or loss.

Kestrel Gold Inc.
(An Exploration Stage Company)
Notes to Financial Statements
Years Ended September 30, 2024 and 2023
(Expressed in Canadian Dollars)

3. Material Accounting Policies (continued)

(i) Financial Instruments (continued)

Financial liabilities (continued)

Derecognition of financial liabilities

The Company derecognizes a financial liability when the financial liability is discharged, cancelled, or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of loss and comprehensive loss.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset, and the net amount is presented in the statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(j) Mining Exploration Tax Recoveries

The Company recognizes mining exploration tax recoveries in the period in which there is a reasonable expectation, based on management's estimate, of receiving a refund. The amount receivable is subject to review and approval by the relevant authorities and is adjusted for in the period when such approval is confirmed.

4. Cash and Cash Equivalents

On September 30, 2024, cash and cash equivalents of \$130,576 is comprised of cash of \$576 and \$130,000 in two cashable GICs bearing interest at 4.0%, maturing on December 19, 2024 and May 8, 2025 (2023 - cash: \$26,045 and GIC: \$175,000).

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5. Exploration and Evaluation Assets

Title to Exploration and Evaluation Asset Interests

Title to exploration and evaluation asset interests involve certain inherent risks due to the difficulties of determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its interests are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements, or transfers and rights of ownership may be affected by undetected defects.

	KSD	QCM	Fireweed	Total
September 30, 2022	\$ 167,170	\$ 806,639	\$ 29,270	\$ 1,003,079
Acquisition costs	-	43,000	-	43,000
Drilling	35,462	4,171	-	39,633
Reporting	-	2,500	18,400	20,900
Prospecting	4,355	14,745	-	19,100
Assaying	7,592	5,735	-	13,327
September 30, 2023	\$ 214,579	\$ 876,790	\$ 47,670	\$ 1,139,039
Acquisition costs	-	120,000	-	120,000
Mining exploration tax credit	-	(142,917)	-	(142,917)
Issuance of shares	-	75,000	-	75,000
QCM option payment	-	(100,000)	-	(100,000)
Reclamation bond	-	(10,700)	-	(10,700)
Impairment	-	-	(47,670)	(47,670)
September 30, 2024	\$ 214,579	\$ 818,173	-	\$ 1,032,752

QCM

On December 15, 2020, Kestrel entered into an option agreement to earn a 100% interest in the QCM property located in northern British Columbia.

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

- Issue a total of 4,000,000 common shares, 400,000 due on signing and 500,000, 600,000, 1,000,000, and 1,500,000 common shares on the anniversary dates;
- Make cash payments totaling \$150,000, \$10,000 due on signing, and \$10,000, \$10,000, \$20,000, and \$100,000 on the anniversary dates; and
- Complete exploration work totaling \$750,000 over a four-year term. Aggregate exploration expenditures of \$50,000, \$200,000, \$400,000, and \$750,000 on each anniversary date.

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5. Exploration and Evaluation Assets (continued)

QCM (continued)

As of September 30, 2024, the Company had issued 4,000,000 common shares, made cash payments totaling \$150,000 to earn a 100% interest in the QCM property, and completed \$739,409 of exploration work related to the property. The Company expedited the remaining cash payment of \$100,000 and the issuance of 2,500,000 common shares, necessary for Kestrel to fully exercise the QCM Property Option Agreement, signed December 20, 2010 and earned its 100% interest in the QCM property in full satisfaction of the option agreement as agreed with the optionor. The property is subject to a 2% net smelter return ("NSR") royalty, 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 May 7, 2024, the Company entered into an option agreement with Thompson Creek Metals Inc., a wholly owned subsidiary of Centerra Gold Inc. ("Centerra"), whereby Centerra was granted the option to earn a 75% interest in the QCM gold property.

To exercise the option and earn a 75% interest in the property, Centerra must:

- Pay \$100,000 within 5 business days of the Effective Date (received on May 8, 2024);
- Pay \$100,000 annually on or before each anniversary up to and including the third anniversary;
- Pay \$200,000 and \$300,000, respectively, on or before the fourth and fifth anniversaries of the Effective Date; and
- Complete aggregate exploration expenditures of \$600,000, \$1,200,000, \$2,000,000, \$3,500,000, and \$ 6,500,000 on each anniversary date over a five-year term.

Mineral exploration costs must include a minimum of 13,500 meters of diamond drilling or reverse circulation ("RC") drilling.

Fireweed

On May 3, 2022, Kestrel entered into an option agreement to earn a 100% interest in the Fireweed property located in northern British Columbia.

As of September 30, 2023, the Company had issued 100,000 common shares, made cash payments totaling \$10,000, and completed \$29,170 of exploration work related to the property. On November 3, 2023, Kestrel amended the terms of the option agreement by extending all the anniversary dates by one year.

During the year ended September 30, 2024, the Company elected to terminate the Fireweed option agreement and has returned the property to the vendor. Management determined the value in use ("VIU") of the asset was nil and recorded an impairment of \$47,670. As the Company no longer has any rights to the Firewood property, management estimated the recoverable amount to be \$nil, considered Level 3 within the fair value hierarchy.

King Solomon Dome ("KSD")

On October 31, 2010, Kestrel entered into an option agreement pursuant to which it acquired the right to earn a 100% interest in the three individual properties located in the Yukon Territory's Klondike Goldfields: King Solomon Mine, Gold Run Creek Property, and Dominion Mountain Property, collectively known as the King Solomon Dome project. The property is subject to a 2.5% NSR, 50% of which can be purchased by Kestrel for \$1,000,000.

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6. Share Capital

(a) **Authorized**

Unlimited common shares without par value.
Unlimited preferred shares, issuable in series.

(b) **Issued**

As of September 30, 2024, there were 106,636,436 (2023 - 102,614,336) common shares outstanding; shares issued during the years are summarized below:

(i) During the year ended September 30, 2024:

- a. 2,500,000 common shares with a fair value of \$75,000 were issued for the QCM property (Note 5).
- b. 1,522,100 common shares with a fair value of \$45,663 were issued pursuant to a debt settlement agreement with a former director.

(ii) During the year ended September 30, 2023:

- a. 600,000 common shares with a fair value of \$33,000 were issued for the QCM property (Note 5).

(c) **Stock Option Plan**

On July 19, 2007, the Company adopted an incentive stock option plan, which provides that the Board of Directors of the Company may, from time to time, in its discretion, and in accordance with the TSX-V requirements, grant to directors, officers, employees, and technical consultants of the Company, non-transferable options to purchase common shares of the Company provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to five years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any individual director, officer, or employee will not exceed 5% of the issued and outstanding common shares and the number of common shares for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, technical consulting arrangement, or employment was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option. The stock option plan is ratified annually by the shareholders of the Company at the annual general meeting.

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6. Share Capital (continued)

(c) **Stock Option Plan (continued)**

As of September 30, 2024 and 2023, the following stock options were outstanding and exercisable:

		2024	2023
Expiry Date	Exercise Price	Number of Options	Number of Options
July 28, 2025	\$0.05	3,650,000	3,650,000
August 28, 2025	\$0.07	500,000	-
October 19, 2025	\$0.10	350,000	350,000
November 15, 2028	\$0.07	2,100,000	-
July 30, 2029	\$0.07	1,000,000	-
		7,600,000	4,000,000

Continuity of stock options is as follows:

	Number of Options	Weighted Average Exercise Price
September 30, 2022	4,100,000	\$0.05
Cancelled	(100,000)	\$0.05
September 30, 2023	4,000,000	\$0.05
Issued	3,600,000	\$0.07
September 30, 2024	7,600,000	\$0.06

The weighted average remaining contractual life for stock options outstanding on September 30, 2024 is 2.5 years (2023 - 1.8 years). The weighted average exercise price of the options outstanding on September 30, 2024 was \$0.06.

3,600,000 options were granted during the year ended September 30, 2024 (2023 - Nil). On November 16, 2023, Kestrel granted 2,600,000 stock options, to directors, officers, and consultants at an exercise price of \$0.07 per share with 500,000 options expiring on August 28, 2025 and 2,100,000 options expiring on November 15, 2028. On July 31, 2024, the Company granted 1,000,000 stock options to a director and to an officer at an exercise price of \$0.07 per share expiring on July 30, 2029.

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6. Share Capital (continued)

(d) Share Purchase Warrants

As of September 30, 2024 and 2023, the following share purchase warrants were outstanding and exercisable:

		2024	2023
Expiry Date	Exercise Price	Number of Warrants	Number of Warrants
September 5, 2024	\$0.05	-	3,463,720

Continuity of share purchase warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
September 30, 2022	11,197,888	\$0.18
Expired	(7,734,168)	\$0.23
September 30, 2023	3,463,720	\$0.05
Expired	(3,463,720)	\$0.05
September 30, 2024	-	-

As of September 30, 2024, all share purchase warrants have expired.

(e) Share-based compensation

The Company applies the fair value method using option pricing models in accounting for stock options and warrants issued as compensation. 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 warrant life. The expected average warrant term is the average expected period to exercise, based on the historical activity patterns.

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of stock options vesting during the periods:

	2024	2023
Risk-free interest rate	3.45%	-
Expected life of options	5 years	-
Expected annualized volatility	148.37%	-
Dividend rate	-	-
Forfeiture rate	-	-

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7. Related Party Transactions

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:

		2024	2023
Short-term benefits	\$	101,488	\$ 78,000
Share-based compensation	\$	59,341	-

Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the years ended September 30, 2024 and 2023.

Short-term benefits are comprised of management fees payable to the CEO and CFO. For the year ended September 30, 2024, the CEO and former CEO were paid \$81,250 and the CFO and former CFO were paid \$20,238 (2023 - \$60,000 and \$18,000, respectively).

As of September 30, 2024, \$10,193 (2023 - \$19,709) is included in accounts payable and accrued liabilities due to related parties.

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

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

On November 16, 2023, Kestrel granted 2,000,000 stock options to directors and officers at an exercise price of \$0.07 per share with 500,000 options expiring on August 28, 2025 and 1,500,000 options expiring on November 15, 2028, and recorded share-based compensation of \$29,241.

On July 31, 2024, 1,000,000 stock options were granted to a director and to an officer of the Company at an exercise price of \$0.07 per share expiring on July 30, 2029, and recorded share-based compensation of \$30,100.

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8. Income Taxes

The reconciliation of income tax at the Canadian statutory rate of 27% (2023 - 27%) with the reported taxes is as follows for the years ended September 30:

	2024	2023
Loss before tax	\$ 307,606	\$ 168,248
Statutory income tax rate	27%	27%
Expected income tax recovery	83,054	45,427
Items not deductible for tax purposes	(20,368)	-
Adjustment related to prior years	(62,546)	49,635
Unused tax losses and tax offsets	(2,884)	(95,062)
Origination and reversal of temporary differences	2,744	-
Income tax recovery	\$ -	\$ -

The Company recognizes tax benefits on losses or other deductible amounts where it is probable that taxable income will be able to utilize deferred tax assets. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2024	2023
Non-capital loss carry-forward	\$ 10,496,000	\$10,294,000
Share issue costs	23,000	32,000
Depreciable capital properties	95,000	95,000
Mineral property interests	4,717,000	4,899,000
Net capital loss carry-forward	30,000	30,000
	\$ 15,361,000	\$15,350,000

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8. Income Taxes (continued)

The Company has capital losses of \$30,000 (2023 - \$30,000), which can be carried forward indefinitely, and non-capital losses of \$10,496,000 (2023 - \$10,294,000) that may be carried forward to apply against future years' income for Canadian income tax purposes in certain jurisdictions. These losses expire as follows:

2028	\$	31,000
2029		113,000
2030		542,000
2031		2,570,000
2033		1,090,000
2034		806,000
2035		782,000
2036		514,000
2037		709,000
2038		974,000
2039		993,000
2040		397,000
2041		314,000
2042		269,000
2043		188,000
2044		204,000
	\$	10,496,000

9. Capital Management

The Company 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. The Company 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 year ended September 30, 2024.

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10. Financial Instruments and Risk

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments consist of cash and cash equivalents and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values, unless otherwise noted. Cash and cash equivalents is 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 and cash equivalents. The Company limits its exposure to credit loss by placing its cash and cash equivalents with major financial institutions.

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 September 30, 2024, the Company had cash and term deposits of \$130,576 (2023 - \$201,045), accounts receivable of \$12,093 (2023 - \$13,991), and current liabilities of \$38,580 (2023 - \$95,711). The Company's accounts payable 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 financial liabilities and continue its exploration and administrative activities.

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.

11. Segment Information

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