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TSX-V: KES

**KESSELRUN RESOURCES LTD.
CONDENSED INTERIM FINANCIAL
STATEMENTS
UNAUDITED – PREPARED BY MANAGEMENT
(Expressed in Canadian Dollars)
FOR THE THREE AND NINE MONTHS ENDED
APRIL 30, 2020 & 2019**

**NOTICE OF NO AUDITOR REVIEW
OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2020 & 2019**

The accompanying unaudited condensed interim financial statements of Kesselrun Resources Ltd. (the “Company”) for the three and nine months ended April 30, 2020 and 2019, have been prepared by, and are the responsibility of, the Company’s management.

The Company’s independent auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of the condensed interim statements by an entity’s auditor. These unaudited condensed interim financial statements include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the financial position, results of operations and cash flows.

KESSELRUN RESOURCES LTD.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited)

	Note	April 30, 2020	July 31, 2019
ASSETS			
Current			
Cash		\$ 167,900	\$ 197,131
Sales tax receivable		5,133	8,946
Prepaid expenses		16,300	8,156
Marketable securities	4	547,875	873,450
Total current		737,208	1,087,683
Exploration and evaluation assets	3	2,623,084	2,484,678
Total assets		\$ 3,360,292	\$ 3,572,361
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable		\$ 8,562	\$ 91
Accrued liabilities		470	11,452
Due to related parties	6	517,815	404,245
Note payable	6	97,397	91,738
		624,244	507,526
Shareholders' equity			
Share capital	5	5,998,427	5,998,427
Share-based payment reserve	5	583,588	559,846
Deficit		(3,845,967)	(3,493,438)
Total shareholders' equity		2,736,048	3,064,835
Total liabilities and shareholders' equity		\$ 3,360,292	\$ 3,572,361

Nature and continuance of operations (Note 1)

Approved on behalf of the Board of Directors on June 26, 2020:

/s/ Joao (John) da Costa
Director

/s/ Michael John Thompson
Director

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

KESSELRUN RESOURCES LTD.
STATEMENTS OF COMPREHENSIVE LOSS
 (Expressed in Canadian Dollars)
 (Unaudited)

	Note	Three months ended April 30,		Nine months ended April 30,	
		2020	2019	2020	2019
Expenses:					
Accounting and audit	6	\$ 7,000	\$ 4,634	\$ 21,361	\$ 16,634
Administration	6	6,000	6,000	18,000	18,000
Advertising and promotion		4,455	4,006	4,455	4,006
Consulting	6	21,000	21,000	63,000	65,500
Filing fees		6,132	6,441	14,073	13,233
Legal fees		-	-	90	-
Management fees	6	15,000	15,000	45,000	45,000
Meals and entertainment		675	1,169	1,721	1,711
Office expenses		785	1,393	3,100	4,340
Share-based compensation	5	1,323	-	23,742	(788)
Travel		4,685	4,606	4,923	4,744
Total expenses		(67,055)	(64,249)	(199,465)	(172,380)
Other items					
Interest on note payable	6	(1,897)	(1,731)	(5,659)	(5,205)
Gain (loss) on investment	4	(12,055)	1,037	(8,830)	27,437
Unrealized loss on investment	4	(24,350)	(339,675)	(138,575)	(627,450)
Loss and comprehensive loss		\$ (105,357)	\$ (404,618)	\$ (352,529)	\$ (777,598)
Loss per share, basic and diluted		\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding; basic and diluted:		37,763,483	37,763,483	37,763,483	37,763,483

The accompanying notes are an integral part of these interim condensed financial statements

KESSELRUN RESOURCES LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)
(Unaudited)

Note	Number of Shares	Share Capital	Share-based Payment Reserve	Deficit	Total
Balance, July 31, 2018	37,763,483	\$ 5,998,427	\$ 560,634	\$ (2,672,680)	\$ 3,886,381
Share-based compensation	-	-	(788)	-	(788)
Net and comprehensive loss	-	-	-	(777,598)	(777,598)
Balance, April 30, 2019	37,763,483	5,998,427	559,846	(3,450,278)	3,107,995
Net and comprehensive loss	-	-	-	(43,160)	(43,160)
Balance, July 31, 2019	37,763,483	5,998,427	559,846	(3,493,438)	3,064,835
Share-based compensation	-	-	23,742	-	23,742
Net and comprehensive loss	-	-	-	(352,529)	(352,529)
Balance, April 30, 2020	37,763,483	\$ 5,998,427	\$ 583,588	\$ (3,845,967)	\$ 2,736,048

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

KESSELRUN RESOURCES LTD.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited)

	Nine Months Ended April 30,	
	2020	2019
Cash flows used in operating activities		
Loss for the period	\$ (352,529)	\$ (777,598)
Items not affecting cash used in operations		
Accrued interest	5,659	5,205
Share-based compensation	23,742	(788)
Loss on marketable securities	147,405	600,013
Changes in non-cash working capital items		
Sales tax receivable	3,813	20,246
Prepaid expenses	(8,144)	5,500
Accounts payable	8,471	1,928
Accrued liabilities	(10,982)	(14,014)
Net cash used in operating activities	(182,565)	(159,508)
Cash flows provided by investing activities		
Exploration and evaluation assets	(138,406)	(8,334)
Disposition of marketable securities	178,170	281,842
Net cash provided by investing activities	39,764	273,508
Cash flows provided by financing activities		
Due to related parties	113,570	68,630
Net cash provided by financing activities	113,570	68,630
Changes in cash	(29,231)	182,630
Cash, beginning	197,131	49,025
Cash, ending	\$ 167,900	\$ 231,655

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

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KESSELRUN RESOURCES LTD.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the three and nine months ended April 30, 2020 and 2019
(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Kesselrun Resources Ltd. (the “Company”), was incorporated under the *Business Corporations Act* (British Columbia) on May 18, 2011. The Company is engaged in the acquisition, exploration, and development of mineral properties. The Company’s shares are listed on the TSX Venture Exchange (“TSX-V”) and on OTC Pink.

These interim condensed financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at April 30, 2020, the Company has not advanced its mineral properties to commercial production and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. As at April 30, 2020, the Company held 2,435,000 common shares of First Mining Finance Corp. (“First Mining”) valued at \$547,875 (Note 4). The shares are free-trading and do not hold any significant restrictions; as such the Company has enough liquid assets to continue its exploration activities and support its day-to-day operations for the next 12-month period.

The Company’s head office and principal address is 278 Bay Street, Suite 102, Thunder Bay, ON P7B 1R8.

2. BASIS OF PREPARATION

a) Statement of Compliance

The unaudited interim condensed financial statements have been prepared in accordance with International Accounting Standard IAS 34 – Interim Financial Reporting. The unaudited interim condensed financial statements, prepared in conformity with IAS 34, follow the same accounting principles and methods of application as the most recent audited annual financial statements. Since the unaudited interim condensed financial statements do not include all disclosures required by the International Financial Reporting Standards (“IFRS”) for annual financial statements, they should be read in conjunction with the Company’s audited annual financial statements for the year ended July 31, 2019.

b) Accounting standards issued but not yet effective

A number of new accounting standards, amendments to standards, and interpretations have been issued but not yet effective up to the date of issuance of the Company’s unaudited condensed interim financial statements. The Company intends to adopt the standards when they become effective. The Company has not yet determined the impact of these standards on its financial statements, but does not anticipate that the impact will be significant.

3. EXPLORATION AND EVALUATION ASSETS

As of April 30, 2020, the Company’s interest in exploration and evaluation assets consisted of the Bluffpoint Property and the Huronian Property. The following acquisition and deferred exploration costs were incurred on the Company’s exploration and evaluation projects:

	Bluffpoint	Huronian	Total
Acquisition costs, July 31, 2019 and April 30, 2020	\$ 249,820	\$ 1,084,966	\$ 1,334,786
Deferred exploration costs, July 31, 2019	409,733	740,159	1,149,892
Additions:			
Assaying	-	5,512	5,512
Camp costs	-	18,065	18,065
Claim maintenance	-	1,617	1,617
Equipment rental	-	31,775	31,775
Geology	-	81,437	81,437
Deferred exploration costs, April 30, 2020	409,733	878,565	1,288,298
Total exploration and evaluation assets, April 30, 2020	\$ 659,553	\$ 1,963,531	\$ 2,623,084

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3. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

	Bluffpoint	Huronian	Total
Acquisition costs, July 31, 2018	\$ 244,060	\$ 1,084,966	\$ 1,329,026
Additions	5,760	-	5,760
Acquisition costs, July 31, 2019	249,820	1,084,966	1,334,786
Deferred exploration costs, July 31, 2018	409,355	736,585	1,145,940
Additions:			
Claim maintenance	378	2,000	2,378
Geology	-	1,574	1,574
Deferred exploration costs, July 31, 2019	409,733	740,159	1,149,892
Total exploration and evaluation assets, July 31, 2019	\$ 659,553	\$ 1,825,125	\$ 2,484,678

Bluffpoint Project

The Company holds a 100% interest in certain mining claims located in Bluffpoint Lake Township, with portions extending into the townships of Lawrence Lake, Napanee Lake and Barker Bay in the Kenora Mining Division of Northwestern Ontario (the “Bluffpoint Project”).

The Bluffpoint Project is subject to a 2% Net Smelter Royalty (“NSR”), of which 1% may be purchased by the Company at any time for \$1,000,000. If the optionors decide to dispose of their remaining 1% NSR, the Company has the first right of refusal to acquire the remaining 1% NSR on the same terms and conditions that the optionors propose to dispose of their NSR.

Huronian Gold Project

The Company holds a 100% interest in the Huronian Gold Project (the “Huronian Project”) consisting of 157 claims located in Moss Township, Thunder Bay Mining Division, Ontario.

Huronian Project is subject to the following NSR:

Township/Area	Claim Type	Claims	Total NSR
Moss	Unpatented	96	2.0%
Moss	Unpatented	57	2.5%
Moss	Patented	2	2.0%
Moss	Patented	2	2.5%
Total		157	

The Company retains a right to purchase up to 50% of the NSR by paying up to \$2,000,000. In addition, the Company retains a right of first refusal to acquire the NSR at the same terms and prices that would be set out in any arm’s length third party offer.

During the year ended July 31, 2017, the Company acquired a 100% interest in a mining claim adjacent to the Huronian Project. In consideration for the purchase, the Company paid \$20,000 cash and issued 200,000 shares of its common stock for a total fair value of \$24,000. The claim is subject to a 2% NSR, of which 1% may be purchased by the Company at any time for the payment of \$1,000,000.

4. MARKETABLE SECURITIES

At April 30, 2020, the Company’s marketable securities consisted of 2,435,000 First Mining shares (the “FM Shares”), valued at \$547,875 (July 31, 2019 - 3,235,000 shares valued at \$873,450) based on the closing price of FM Shares on April 30, 2020, being \$0.225 (July 31, 2019 - \$0.27). The Company records its marketable securities as fair value through profit and loss (“FVTPL”). During the nine-month period ended April 30, 2020, the Company recorded a loss of \$138,575 on revaluation of its securities to their fair market value (April 30, 2019 - \$627,450). During the nine-month period ended April 30, 2020, the Company sold 800,000 FM Shares (April 30, 2019 –763,000 FM Shares) for total cash proceeds of \$178,170 (April 30, 2019 - \$281,842) realizing a \$8,830 loss on the sale of the FM Shares (April 30, 2019 - \$27,437 gain).

5. SHARE CAPITAL

Authorized share capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

Share issuances

During the nine-month period ended April 30, 2020, the Company did not issue any shares of its common stock.

Stock options

The Company has adopted an incentive stock option plan (the “Option Plan”) which provides that the Board of Directors of the Company may, from time to time, at their discretion and in accordance with TSX-V requirements, grant stock options to directors, officers and technical consultants for up to 10% of the issued and outstanding common shares of the Company. Such options are exercisable for a period of up to five years from the date of grant. Vesting terms are determined at the time of grant by the Board of Directors.

On January 16, 2020, the Company’s board of directors granted 500,000 incentive stock options to its directors, officers, and a consultant. The stock options are exercisable at a price of \$0.05 per share for a period of five years expiring on January 16, 2025.

The options issued to directors and officer of the Company vested immediately upon grant, and the Company recognized \$22,033 as share-based compensation associated with these options.

The fair value of the stock options granted to directors and officer was estimated using the Black-Scholes Option pricing model using the following assumptions:

	January 16, 2020
Expected life	5 years
Annualized volatility	150%
Risk-free interest rate	1.57%
Dividend yield	Nil

The option to acquire up to 100,000 shares issued to a consultant vest over a period of 12 months at a rate of 25,000 options per quarter beginning on April 16, 2020. The Company recognized \$1,709 as share-based compensation associated with these options.

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5. SHARE CAPITAL (CONTINUED)

Stock options (Continued)

The fair value of the stock options granted to a consultant was estimated using the Black-Scholes Option pricing model as at January 16, 2020 and revalued at April 16, 2020, and at April 30, 2020, using the following assumptions:

	January 16, 2020	April 16, 2020	April 30, 2020
Expected life	5 years	4.76 years	4.72 years
Annualized volatility	150%	146%	147%
Risk-free interest rate	1.57%	0.43%	0.38%
Dividend yield	Nil	Nil	Nil

A summary of the changes in the number of stock options outstanding during the nine-month period ended April 30, 2020 and for the year ended July 31, 2019 is as follows:

	Nine months ended April 30, 2020		Year ended July 31, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	3,245,000	\$ 0.09	3,245,000	\$ 0.09
Options granted	500,000	0.05	-	-
Options expired	(700,000)	0.05	-	-
Options outstanding, ending	3,045,000	\$ 0.09	3,245,000	\$ 0.09
Options exercisable, ending	2,970,000	\$ 0.09	3,245,000	\$ 0.09

Details of options outstanding as at April 30, 2020, are as follows:

Exercise price	Expiry date	Remaining life (years)	Number of options outstanding	Number of options exercisable
\$0.06	April 13, 2021	0.95	300,000	300,000
\$0.11	May 31, 2021	1.08	595,000	595,000
\$0.10	December 21, 2022	2.64	1,650,000	1,650,000
\$0.05	January 16, 2025	4.72	500,000	425,000
			3,045,000	2,970,000

At April 30, 2020, the weighted average remaining contractual life of the stock options outstanding was 2.51 years.

Share-based payment reserve

The share-based payment reserve includes items recognized as share-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amounts are transferred to share capital.

6. RELATED PARTY TRANSACTIONS

Related parties include the directors, officers, key management personnel, close family members and entities controlled by these individuals. Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company as a whole.

KESSELRUN RESOURCES LTD.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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(Expressed in Canadian Dollars)

6. RELATED PARTY TRANSACTIONS (CONTINUED)

The remuneration of related parties including directors and key management was as follows:

	Nine months ended April 30,	
	2020	2019
Exploration and evaluation expenditures incurred to a private company controlled by certain directors and officers of the Company (Note 3)	\$ 138,406	\$ -
Accounting, consulting, and administrative fees incurred to a private company controlled by an officer and director of the Company	\$ 54,000	\$ 54,000
Management fees incurred to a private company controlled by an officer and director of the Company	\$ 45,000	\$ 45,000

The balances due to related parties consist of amounts owed directly to the officers and directors of the Company and to private companies controlled by the officers and directors of the Company. These amounts are unsecured, non-interest bearing and due on demand. At April 30, 2020, the balance payable to related parties was \$517,815 (July 31, 2019 - \$404,245).

At April 30, 2020, the Company was indebted to Fladgate Exploration Consulting Corporation (“Fladgate”), a privately held company controlled by certain directors and officers of the Company, in the amount of \$97,397 (July 31, 2019 - \$91,738) under the loan payable the Company issued to Fladgate during the year ended July 31, 2017. The loan bears interest at 8% per annum compounded monthly, is unsecured and due on demand. During the nine-month period ended April 30, 2020, the Company recorded interest expense of \$5,659 (April 30, 2019 - \$5,205).

7. FINANCIAL INSTRUMENTS AND RISKS

The Company uses the following hierarchy for determining and disclosing fair value of financial instruments:

- Level 1 — quoted prices in active markets for identical assets and liabilities.
- Level 2 — observable inputs other than quoted prices in active markets for identical assets and liabilities.
- Level 3 — unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

The Company has classified its cash as measured at fair value in the statements of financial position using Level 1 inputs. Accounts payable and amounts due to related parties are classified as other liabilities, and their fair values approximate their carrying values due to the short terms to maturity.

Risk management

The Company has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk. Management and the Board of Directors monitor risk management activities and review the adequacy of such activities.

- a) **Liquidity risk**
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can only do so at excessive cost. The Company maintains sufficient cash balances to meet current working capital requirements. The Company is considered to be in the exploration stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration and evaluation programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company’s cash is invested in business accounts with quality financial institutions, is available on demand for the Company’s programs, and is not invested in any asset backed commercial paper.

7. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

Risk management (Continued)

b) **Credit risk**

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash, other assets and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and other assets with high-credit quality financial institutions.

c) **Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as foreign exchange rates, interest rates, and commodity and equity prices.

i. Currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company is not exposed to foreign currency risk.

ii. Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash. In order to maintain liquidity the Company plans to invest its cash at floating rates of interest in cash equivalents. There is a minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash, restricted cash and reclamation bond as they are generally held with large financial institutions.

iii. Price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks. The Company is exposed to equity price risk as a result of its investments in marketable equity securities of First Mining.

8. SUBSEQUENT EVENT

In June 2020 the Company announced a flow-through private placement (the "FT Offering") of up to \$600,000 consisting of flow-through units (the "FT Units") at a price of \$0.06 per FT Unit. The FT Unit will consist of one flow-through common share and one half of one common share purchase warrant (a "Warrant"). Each whole Warrant will entitle the holder to purchase one non-flow-through common share at a price of \$0.12 for one year from the closing date. The securities, when issued will be subject to a hold period of four months and one day from the date of closing of the FT Offering. The Company will use the proceeds from the FT Offering to conduct exploration on the Company's properties.