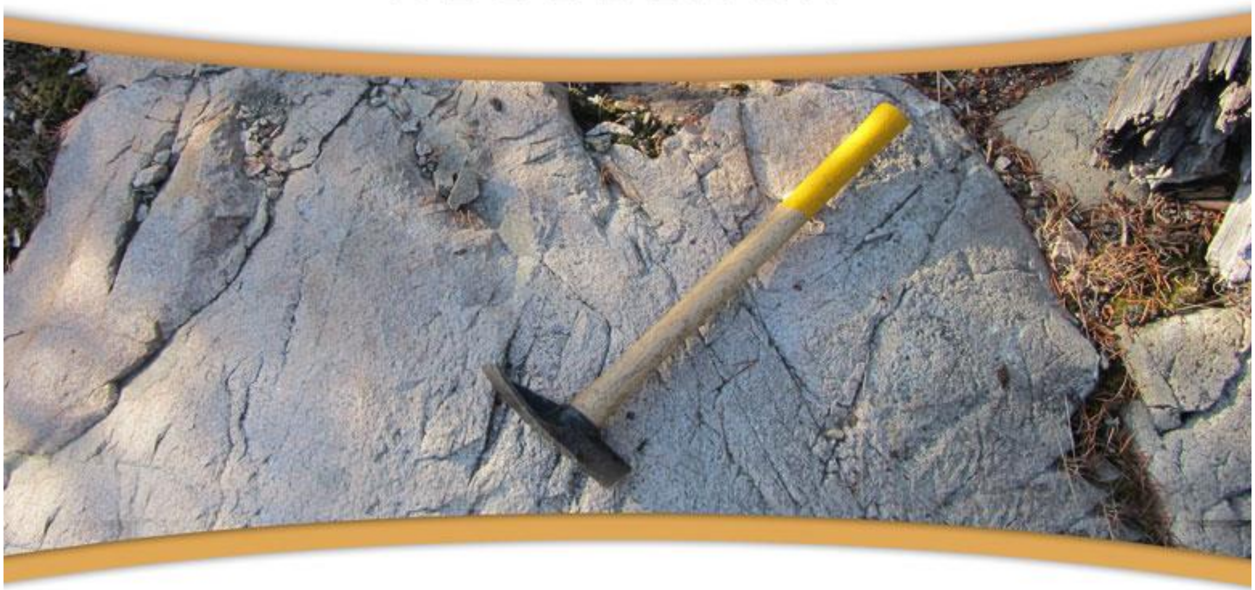
KESSELRUN



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KESSELRUN RESOURCES LTD.
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED – PREPARED BY MANAGEMENT
(expressed in Canadian Dollars)
FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2015 & 2014

NOTICE OF NO AUDITOR REVIEW
OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2015 & 2014

The accompanying unaudited condensed interim financial statements of Kesselrun Resources Ltd. (the “Company”) for the period ended January 31, 2015, 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.

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KESSELRUN RESOURCES LTD.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
Unaudited - Prepared by Management
(Expressed in Canadian Dollars)

	Note	January 31, 2015	July 31, 2014
ASSETS			
Current			
Cash		$ 257,592	$ 308,989
GST receivable		4,870	2,033
Prepaid expenses		5,000	5,000
Total current		267,462	316,022
Debenture receivable	4	1	-
Exploration and evaluation assets	3	692,035	685,368
Total assets		$959,498	$ 1,001,390
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable		$ 19,998	$ 1,461
Accrued liabilities		1,400	16,461
Due to related parties	6	15,208	47
Total liabilities		36,606	17,969
Shareholders' equity			
Share capital	5	4,255,313	4,255,313
Share-based payment reserve	5	274,617	274,617
Deficit		(3,607,038)	(3,546,509)
Total shareholders' equity		922,892	983,421
Total liabilities and shareholders' equity		$ 959,498	$ 1,001,390

Nature and continuance of operations (Note 1)

Approved by the Board of Directors and authorized for issue on March 31, 2015:

/s/ Joao (John) da Costa
Director

/s/ Michael Thompson
Director

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

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KESSELRUN RESOURCES LTD.
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
Unaudited - Prepared by Management
(Expressed in Canadian Dollars)

		Three months ended January 31,		Six months ended January 31,	
	Note	**2015**	**2014**	**2015**	**2014**
Expenses					
Accounting and audit	6	$ 8,470	$ 7,500	$ 14,470	$ 14,720
Administration	6	6,000	7,500	12,000	15,000
Advertising and promotion	6	1,043	18,871	1,344	52,011
Consulting	6	21,000	28,500	42,000	57,000
Project investigation costs	6	4,050	-	7,200	-
Filing fees		7,430	9,538	10,386	11,836
Insurance		-	3,225	-	6,351
Legal		3,074	20,000	3,074	22,000
Meals and entertainment		1,534	1,484	1,812	5,138
Office expenses		1,423	2,312	1,910	3,899
Stock based compensation		-	171	-	(333)
Travel		3,902	160	4,017	527
Web design		240	185	480	425
Total expenses		58,166	99,446	98,693	188,574
Other items					
Interest income		38,164	449	38,164	11,421
Reversal of flow-through share premium		-	105,375	-	109,921
Part XII.6 tax		-	(3,763)	-	(4,516)
Comprehensive income (loss) for the period		**$ (20,002)**	**$ 2,615**	**$ (60,529)**	**$ (71,748)**
Loss per share, basic and diluted		$ (0.00)	$ 0.00	$ (0.00)	$ (0.00)
Weighted average number of common shares outstanding, basic and diluted		24,835,750	24,835,750	24,835,750	24,248,793

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

KESSELRUN RESOURCES LTD.
CONDENSED INTERIM STATEMENTS OF CASH FLOW
Unaudited - Prepared by Management
(Expressed in Canadian Dollars)

	Six months ended January 31, 2015	2014
Cash flows used in operating activities		
Loss for the period	$ (60,529)	$ (71,748)
Items not affecting cash		
Stock based compensation	-	(333)
Reversal of flow-through share premium	-	(109,921)
Changes in non-cash working capital items		
GST receivable	(2,837)	(95,410)
Prepaid expenses	-	6,127
Accounts payable	18,537	6,005
Accrued liabilities	(15,061)	(10,545)
Due to related parties	15,161	(75,329)
Net cash used in operating activities	(44,729)	(351,154)
Cash flows used in investing activities		
Exploration and evaluation assets	(6,668)	(1,238,968)
Net cash used in investing activities	(6,668)	(1,238,968)
Decrease in cash	(51,397)	(1,590,122)
Cash, beginning	308,989	1,862,729
Cash, ending	$ 257,592	$ 272,607

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

KESSELRUN RESOURCES LTD.
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Unaudited - Prepared by Management
(Expressed in Canadian Dollars)

	Note	Number of Shares	Share Capital	Share-based Payment Reserve	Deficit	Total
Balance, July 31, 2013		22,835,750	$ 4,155,313	$ 275,368	$ (861,678)	$ 3,569,003
Property acquisition	3	2,000,000	100,000	-	-	100,000
Stock-based compensation		-	-	(333)	-	(333)
Net loss and comprehensive loss		-	-	-	(71,748)	(71,748)
Balance, January 31, 2014		24,835,750	4,255,313	275,035	(933,426)	3,596,922
Stock-based compensation		-	-	(418)	-	(418)
Net loss and comprehensive loss		-	-	-	(2,613,083)	(2,613,083)
Balance, July 31, 2014		24,835,750	4,255,313	274,617	(3,546,509)	983,421
Net loss and comprehensive loss		-	-	-	(60,529)	(60,529)
Balance, January 31, 2015		24,835,750	$ 4,255,313	$ 274,617	$ (3,607,038)	$ 922,892

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

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).

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 January 31, 2015, 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. These factors indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

The Company's head office and principal address is 1158 Russell Street, Unit D, Thunder Bay, ON P7B 5N2.

2. BASIS OF PRESENTATION

a) Statement of Compliance

The unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard IAS 34 – Interim Financial Reporting. The unaudited condensed interim 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 condensed interim 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, 2014.

(b) Newly adopted accounting standards

The following standards became effective for annual periods beginning on or after January 1, 2014, with earlier application permitted. The Company adopted these standards on August 1, 2014 and they did not have a material impact on the financial statements.

<u>Amendments to IAS 32 "Financial Instruments: Presentation"</u>

These amendments address inconsistencies when applying the offsetting requirements, and are effective for annual periods beginning on or after January 1, 2014.

(c) Accounting standards issued but not yet effective

<u>New standard IFRS 9 "Financial Instruments"</u>

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

(Expressed in Canadian Dollars)

3. EXPLORATION AND EVALUATION ASSETS

The following acquisition and deferred exploration costs were incurred on the Company's exploration and evaluation projects:

Exploration and evaluation assets at January 31, 2015

	Bluffpoint	Goldlund	Esox	Higbee Extension	Mulcahy	Total
Acquisition costs, July 31, 2014	$ 592,170	$ -	$ -	$ -	$ -	$ 592,170
Additions during the period	-	-	-	-	-	-
Acquisition costs, January 31, 2015	592,170	-	-	-	-	592,170
Deferred exploration costs, July 31, 2014	93,197	1	-	-	-	93,198
Additions during the period:						
Camp and travel	517	-	-	-	-	517
Geology	6,151	-	-	-	-	6,151
Deferred exploration costs, January 31, 2015	99,865	1	-	-	-	99,866
Impairment	-	(1)	-	-	-	(1)
Total exploration and evaluation assets, January 31, 2015	$ 692,035	$ -	$ -	$ -	$ -	$ 692,035

Exploration and evaluation assets at July 31, 2014

	Bluffpoint	Goldlund	Esox	Higbee Extension	Mulcahy	Total
Acquisition costs, July 31, 2013	$ 292,170	$ -	$ -	$ -	$ -	$ 292,170
Additions during the year	300,000	-	-	-	-	300,000
Acquisition costs, July 31, 2014	592,170	-	-	-	-	592,170
Deferred exploration costs, July 31, 2013	1,590,427	-	32,522	9,249	27,352	1,659,550
Additions during the year:						
Assaying	542	-	-	-	472	1,014
Camp and travel	15,193	-	-	-	-	15,193
Drilling	-	472,500	-	-	-	472,500
Equipment rental	5,775	-	-	-	-	5,775
Geology	22,416	-	-	-	1,200	23,616
Geophysics	-	527,500	-	-	-	527,500
Deferred exploration costs, July 31, 2014	1,634,353	1,000,000	32,522	9,249	29,024	2,705,148
Impairment	(1,541,156)	(999,999)	(32,522)	(9,249)	(29,024)	(2,611,950)
Total exploration and evaluation assets, July 31, 2014	$ 685,367	$ 1	$ -	$ -	$ -	$ 685,368

On March 31, 2012, the Company entered into an option agreement to acquire up to a 100% interest in 56 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"). Upon closing, the Optionor was appointed as a director and officer of the Company. The significant terms of the option agreement are as follows:

3. EXPLORATION AND EVALUATION ASSETS (continued)

Bluffpoint Project

First Option
To exercise its first option to acquire a 60% undivided interest in the Bluffpoint Project, the Company was required to make cash payments of $200,000 and issue 4,000,000 common shares as follows:

- On July 18, 2012 (the "Closing Date") issue 2,000,000 common shares (issued with a fair value of $200,000);
- On or before the first anniversary of the Closing Date, pay $100,000 and issue 1,000,000 common shares; and
- On or before the second anniversary of the Closing Date, pay $100,000 and issue 1,000,000 common shares.

Second Option
Within sixty days of the Company exercising the first option and acquiring a 60% undivided interest in and to the Bluffpoint Project, the Company was required to notify the Optionor whether it intends to exercise the second option to acquire the remaining 40% interest (the "Second Option"). If no such notice was delivered within the 60 day period, then the second option would automatically terminate and the Company would have been deemed to have elected to enter into a joint venture with the Optionor.

To exercise the Second Option, the Company was required to make additional cash payment of $200,000 and issue additional 2,000,000 common shares on or before the third anniversary of the Closing Date.

Exploration Expenditures
The Company agreed to incur at least $200,000 in exploration expenditures on the Bluffpoint Project on or before the first anniversary of the Closing Date (incurred).

Amending Agreement
On April 30, 2013, the Company and the Optionor agreed to amend the option agreement whereby the Company could acquire a 100% interest in the Bluffpoint Project by making a cash payment of $200,000 (paid) and issuing 2,000,000 common shares (issued with a fair value of $100,000) on or before the first anniversary of the Closing Date (Note 5). As part of the amendment to the agreement, the Optionor assigned two thirds of his interest in the option agreement to two other individuals – one of these individuals is a director of the Company.

The Bluffpoint Project is subject to a royalty payable to the Optionors equal to a 2% Net Smelter Royalty ("NSR"), of which 1% may be purchased by the Company at any time for the payment of $1,000,000; leaving the Optionors with a final 1% NSR. If the Optionors decide to dispose of their remaining 1% NSR, the Company shall have the first right of refusal to acquire that remaining 1% NSR on the same terms and conditions that the Optionors propose to dispose of their NSR.

Additional Acquisition
On August 22, 2012, the Company acquired additional mining claims adjacent and contiguous to the core Bluffpoint claims. A further 47 mining claims were staked at a cost of $92,170.

Reduction in the Number of Claims
On July 31, 2014, the Company decided not to maintain five claims which presented least geological potential within the Bluffpoint Project. Furthermore, the Company decided to let additional 10 claims expire on November 23, 2014.

Goldlund Project

On December 13, 2013, the Company entered into an option agreement (the "Goldlund Option") with a company (the "Vendor") to acquire an undivided 10% non-diluting interest in the Goldlund Project (the "Project") located near the town of Sioux Lookout, Ontario. In order to exercise its option, the Company was required to incur aggregate exploration expenditures of $1,000,000 by December 31, 2013 (incurred).

3. EXPLORATION AND EVALUATION ASSETS (continued)

Goldlund Project (continued)

Any time after acquisition of the Goldlund Option and before December 31, 2015, the Company had the right to transfer the interest back to the Vendor of the Project in exchange for $2,000,000 in unsecured convertible debentures (the "Convertible Debentures") of the Vendor's parent company ("Parentco").

On July 31, 2014, the Company exercised the right to relinquish the Company's 10% non-diluting interest in the Project. This transaction was completed on August 15, 2014, by issuance to the Company of $2,000,000 Convertible Debenture of Parentco (Note 4).

4. DEBENTURE RECEIVABLE

On August 15, 2014, the Company exchanged its 10% interest in the Goldlund Project for a $2,000,000 Senior Unsecured Convertible Debenture (the "Debenture") of Tamaka Gold Corporation ("Parentco"), parent company of the Vendor of the Goldlund Project (Note 3).

The Debenture is due on August 15, 2021, earns interest at a fixed rate of 10% per annum compounded annually and is unsecured. At the election of Parentco, up to 50% of the interest may be paid by the issuance of additional debentures of Parentco. The Debenture is subject to certain restrictions on transfer and a right of first refusal in favour of Parentco. Subject to certain exceptions, the Debenture is not redeemable prior to the third anniversary of the date of issuance, unless agreed to by the Company, after which it will be redeemable, in cash, at the option of Parentco, at the principal amount including all accrued and unpaid interest.

On December 31, 2014, the Company received a first interest payment on the Debenture. The total interest accumulated to date was calculated to be $76,164. Parentco elected to exercise its option to substitute 50% of the interest with its senior unsecured convertible debenture; as such, the Company received a cash payment of $38,164 and a senior unsecured convertible debenture totalling $38,000.

Since Parentco is a private corporation, the value of the Debentures cannot be reasonably estimated; hence, the Debentures are carried on the statement of financial position at their fair value, which the Company estimated to be $1. Due to uncertainty in collectability of the future interest payments, the Company does not accrue the interest income associated with the debentures and records it upon receipt of funds.

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 six months ended January 31, 2015:
During the six months ended January 31, 2015, the Company did not have any transactions that resulted in issuance of its common stock.

During the year ended July 31, 2014:
On September 23, 2013, pursuant to the Bluffpoint Project option agreement, as amended (Note 3), the Company issued 2,000,000 common shares with a fair value of $0.05 per share to the two Optionors of the Bluffpoint Project.

(Expressed in Canadian Dollars)

5. SHARE CAPITAL (continued)

Stock options

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

A summary of the changes in the number of stock options outstanding during the six months ended January 31, 2015 and the year ended July 31, 2014 are as follows:

	Six months ended January 31, 2015		Year ended July 31, 2014	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Options outstanding, beginning	1,935,000	$ 0.18	1,935,000	$ 0.18
Options granted	-	-	-	-
Options exercised	-	-	-	-
Options terminated	(135,000)	(0.38)	-	-
Options outstanding, ending	1,800,000	$ 0.17	1,935,000	$ 0.18

Terminated options represent options issued to the Company's independent consultant for investor relation services. In accordance with the Company's Option Plan these options were terminated when the consultant ended his services to the Company.

The Company did not grant additional stock options during the six months ended January 31, 2015 (Note 7).

Details of options outstanding as at January 31, 2015 are as follows:

Exercise price	Expiry date	Number of options outstanding
$0.10	December 7, 2016	320,000
$0.10	July 18, 2017	1,230,000
$0.60	December 5, 2017	250,000
		1,800,000

At January 31, 2015, the weighted average remaining contractual life of the stock options outstanding was 2.41 years.

(Expressed in Canadian Dollars)

Share purchase warrants

The changes in the number of warrants outstanding during the six months ended January 31, 2015 and the year ended July 31, 2014 are as follows:

	Six months ended January 31, 2015			Year ended July 31, 2014		
	Number of warrants		**Weighted average exercise price**	**Number of warrants**		**Weighted average exercise price**
Warrants outstanding, beginning	1,533,600	$	0.68	1,587,850	$	0.66
Warrants issued	-		-	-		-
Warrants exercised	-		-	-		-
Warrants expired	(1,533,600)		(0.68)	(54,250)	$	0.10
Warrants outstanding, ending	-	$	-	1,533,600	$	0.68

6. RELATED PARTY TRANSACTIONS

The Company incurred the following transactions with related parties that are not disclosed elsewhere in the financial statements:

	Six months ended January 31, 2015		2014	
Exploration and evaluation expenditures incurred to a private company controlled by certain directors and officers of the Company	$	6,668	$	1,038,968
Project investigation costs incurred to a private company controlled by certain directors and officers of the Company	$	7,200	$	-
Corporate communication costs incurred to a private company controlled by certain directors and officers of the Company	$	1,043	$	-
Bookkeeping, consulting, and administrative fees incurred to a private company controlled by an officer of the Company	$	36,000	$	45,000
Consulting fees incurred to a private company controlled by two former directors of the Company	$	-	$	30,000

Amounts due to related parties consist of amounts owing to private companies controlled by officers and directors of the Company and are unsecured, non-interest bearing and due on demand. At January 31, 2015, the amount payable to related parties was $15,208 (2014 - $47).

7. SUBSEQUENT EVENT

On March 26, 2015, The Company granted an aggregate of 700,000 incentive stock options exercisable at a price of $0.05 per common share for a period of five years to directors, officers and consultants of the Company. The options were granted in accordance with the Company’s stock option plan, which was approved by the shareholders of the Company at the Annual General Meeting held on December 23, 2014.