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**KESSELRUN RESOURCES LTD.
CONDENSED INTERIM FINANCIAL
STATEMENTS
UNAUDITED – PREPARED BY MANAGEMENT
(Expressed in Canadian Dollars)
FOR THE THREE AND NINE MONTHS ENDED
APRIL 30, 2018 & 2017**

**NOTICE OF NO AUDITOR REVIEW
OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2018 & 2017**

The accompanying unaudited condensed interim financial statements of Kesselrun Resources Ltd. (the “Company”) for the three and nine months ended April 30, 2018 and 2017, 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)

	Note	April 30, 2018	July 31, 2017
(Unaudited)			
ASSETS			
Current			
Cash		\$ 92,817	\$ 240,974
GST receivable		22,365	19,972
Prepaid expenses		7,590	71,575
Marketable securities	4	2,038,980	2,867,000
Total current		2,161,752	3,199,521
Exploration and evaluation assets	3	2,474,966	2,088,416
Total assets		\$ 4,636,718	\$ 5,287,937
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable		\$ 89	\$ 3,303
Accrued liabilities		560	11,132
Due to related parties	6	269,111	97,364
Note payable	6	83,022	291,151
Total liabilities		352,782	402,950
Shareholders' equity			
Share capital	5	5,998,427	5,918,427
Share-based payment reserve	5	559,212	438,910
Deficit		(2,273,703)	(1,472,350)
Total shareholders' equity		4,283,936	4,884,987
Total liabilities and shareholders' equity		\$ 4,636,718	\$ 5,287,937

Nature and continuance of operations (Note 1)

Approved on behalf of the Board of Directors:

/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
 Unaudited - Prepared by Management
 (Expressed in Canadian Dollars)

	Note	Three months ended		Nine months ended	
		April 30,		April 30,	
		2018	2017	2018	2017
Expenses:					
Accounting and audit	6	\$ 7,800	\$ 7,500	\$ 23,570	\$ 22,870
Administration	6	6,000	6,000	18,000	18,000
Advertising and promotion		(172)	408	68,555	1,254
Consulting	6	21,000	20,999	63,000	88,874
Filing fees		6,250	9,093	17,480	19,411
Legal fees		-	36,682	901	70,498
Meals and entertainment		504	1,209	2,179	4,446
Office expenses		1,635	1,909	4,787	7,128
Project investigation costs	6	-	-	-	1,150
Share-based compensation	5	12,837	11,821	120,302	1,367
Travel		155	3,555	7,140	7,401
Total expenses		(56,009)	(99,176)	(325,914)	(242,399)
Other items:					
Interest income		-	-	-	213,990
Interest on notes payable	6	(4,930)	(3,943)	(16,871)	(4,776)
Realized loss on investment	4	(47,819)	-	(93,868)	-
Unrealized gain (loss) on investment	4	30,000	-	(364,700)	-
Loss and comprehensive loss for the period		\$ (78,758)	\$ (103,119)	\$ (801,353)	\$ (33,185)
Loss per share, basic and diluted		\$ (0.00)	\$ (0.00)	\$ (0.02)	\$ (0.00)
Weighted average number of common shares outstanding - basic and diluted		37,303,262	36,893,820	37,188,758	36,796,784

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

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

	Number of Shares	Share Capital	Share-based Payment Reserve	Deficit	Total
Balance, July 31, 2016	36,685,083	\$ 5,881,940	\$ 442,639	\$ (4,428,848)	\$ 1,895,731
Exercise of warrants	78,400	12,487	(4,647)	-	7,840
Acquisition of exploration and evaluation assets	200,000	24,000	-	-	24,000
Share-based compensation	-	-	1,367	-	1,367
Net and comprehensive loss for the period	-	-	-	(33,185)	(33,185)
Balance, April 30, 2017	36,963,483	5,918,427	439,359	(4,462,033)	1,895,753
Share-based compensation	-	-	(449)	-	(449)
Net and comprehensive income for the period	-	-	-	2,989,683	2,989,683
Balance, July 31, 2017	36,963,483	5,918,427	438,910	(1,472,350)	4,884,987
Exercise of warrants	800,000	80,000	-	-	80,000
Share-based compensation	-	-	120,302	-	120,302
Net and comprehensive loss for the period	-	-	-	(801,353)	(801,353)
Balance, April 30, 2018	37,763,483	\$ 5,998,427	\$ 559,212	\$ (2,273,703)	\$ 4,283,936

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

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

	Nine Months Ended	
	April 30,	
	2018	2017
Cash flows used in operating activities		
Loss for the period	\$ (801,353)	\$ (33,185)
Items not affecting cash used in operations		
Accrued interest	16,871	4,776
Share-based compensation	120,302	1,367
Interest income earned	-	(213,990)
Loss on investment, realized	93,868	-
Loss on investment, unrealized	364,700	-
Changes in non-cash working capital items		
GST receivable	(2,393)	(5,939)
Prepaid expenses	63,985	12,558
Accounts payable	(3,214)	84,179
Accrued liabilities	(10,572)	(22,774)
Net cash used in operating activities	(157,806)	(173,008)
Cash flows used in investing activities		
Exploration and evaluation assets	(386,550)	(825,094)
Cash received from sale of equity investment	369,452	-
Interest received from debentures	-	213,990
Net cash used in investing activities	(17,098)	(611,104)
Cash flows provided by financing activities		
Notes payable	(225,000)	200,000
Due to related parties	171,747	299,695
Exercise of warrants	80,000	7,840
Net cash provided by financing activities	26,747	507,535
Decrease in cash	(148,157)	(276,577)
Cash, beginning	240,974	536,370
Cash, ending	\$ 92,817	\$ 259,793

The accompanying notes are an integral part of these interim condensed 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”) 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, 2018, 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, 2018, the Company held 3,998,000 common shares of First Mining Finance Corp. (“First Mining”) valued at \$2,038,980 (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 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, 2017.

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, 2018, 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:

3. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Exploration and evaluation assets at April 30, 2018

	Bluffpoint	Huronian	Total
Acquisition costs, July 31, 2017	\$ 244,060	\$ 1,084,966	\$ 1,329,026
Additions during the period	-	-	-
Acquisition costs, April 30, 2018	244,060	1,084,966	1,329,026
Deferred exploration costs, July 31, 2017	409,355	350,035	759,390
Additions during the period:			
Assaying	-	9,773	9,773
Camp and travel	-	36,525	36,525
Claim maintenance	-	1,617	1,617
Equipment use / rental	-	156,935	156,935
Geology	-	181,700	181,700
Deferred exploration costs, April 30, 2018	409,355	736,585	1,145,940
Total exploration and evaluation assets, April 30, 2018	\$ 653,415	\$ 1,821,551	\$ 2,474,966

Exploration and evaluation assets at July 31, 2017

	Bluffpoint	Huronian	Total
Acquisition costs, July 31, 2016	\$ 244,060	\$ 1,040,000	\$ 1,284,060
Additions during the year	-	44,966	44,966
Acquisition costs, July 31, 2017	244,060	1,084,966	1,329,026
Deferred exploration costs, July 31, 2016	70,493	-	70,493
Additions during the year:			
Assaying	19,690	16,262	35,952
Camp and travel	39,785	59,575	99,360
Claim maintenance	-	1,617	1,617
Equipment use / rental	124,840	128,689	253,529
Geology	254,547	243,892	498,439
Grants received	(100,000)	(100,000)	(200,000)
Deferred exploration costs, July 31, 2017	409,355	350,035	759,390
Total exploration and evaluation assets, July 31, 2017	\$ 653,415	\$ 1,435,001	\$ 2,088,416

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 the payment of \$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.

3. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Huronian Gold Project

The Company entered into a purchase agreement to acquire a 100% interest in the Huronian Gold Project (“Huronian Project”).

In consideration for the purchase, the Company agreed to issue 4,000,000 common shares, which were contingent upon approval from TSX-V. The Company received the approval from TSX-V on July 13, 2016, and issued 4,000,000 shares of its common stock on July 20, 2016. The shares had a fair value of \$1,040,000.

Huronian Project is subject to a NSR as detailed in the table below:

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.

On February 15, 2017, the Company entered into a purchase agreement to acquire a 100% interest in a mining claim adjacent to the Huronian Project. In consideration for the purchase, the Company agreed to pay \$20,000 cash and to issue 200,000 shares of the Company’s common stock. The transaction was contingent upon approval from TSX-V, which was received on March 1, 2017. The Company issued 200,000 shares of its common stock on March 3, 2017, when the shares were valued at \$0.12 per share 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

The Company’s marketable securities consist of 3,998,000 common shares of First Mining (the “FM Shares”). During the period ended April 30, 2018, the Company sold 702,000 FM Shares for total cash proceeds of \$369,452, net of \$3,828 in brokerage fees. The Company realized a \$93,868 loss on the sale of the FM Shares.

At April 30, 2018, the investment in FM Shares was valued at \$2,038,980, based on the closing share price of \$0.51. The Company records its marketable securities as fair value through profit and loss (“FVPL”). During the nine-month period ended April 30, 2018, the Company recorded a \$364,700 loss on revaluation of its securities to their fair market value.

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, 2018, the Company issued 800,000 common shares on exercise of warrants for total proceeds of \$80,000.

5. SHARE CAPITAL (CONTINUED)

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, 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 nine-month period ended April 30, 2018 and for the year ended July 31, 2017 is as follows:

	Nine months ended April 30, 2018		Year ended July 31, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	1,845,000	\$ 0.10	2,895,000	\$ 0.10
Options granted	1,650,000	0.10	-	-
Options cancelled or expired	(100,000)	(0.60)	(1,050,000)	(0.10)
Options outstanding, ending	3,395,000	\$ 0.09	1,845,000	\$ 0.10
Options exercisable, ending	3,170,000	\$ 0.09	1,845,000	\$ 0.10

Details of options outstanding as at April 30, 2018, are as follows:

Exercise price	Expiry date	Remaining life (years)	Number of options outstanding	Number of options exercisable
\$0.05	March 26, 2020	1.91	700,000	700,000
\$0.06	April 13, 2021	2.96	300,000	300,000
\$0.08	May 3, 2018	0.01	150,000	150,000
\$0.11	May 31, 2021	3.09	595,000	595,000
\$0.10	December 21, 2022	4.65	1,650,000	1,425,000
			3,395,000	3,170,000

At April 30, 2018, the weighted average remaining contractual life of the stock options outstanding was 3.45 years.

On December 21, 2017, the Company’s board of directors granted 1,650,000 incentive stock options to its directors, officers, and a consultant. The stock options are exercisable at a price of \$0.10 per share for a period of five (5) years expiring on December 21, 2022. Any securities issued pursuant to the exercise of stock options were subject to a four-month hold period which expired on April 22, 2018.

1,350,000 options issued to directors and officers of the Company vested immediately upon grant, and the Company recognized \$101,828 as share-based compensation associated with these options.

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

	December 21, 2017
Expected life	5 years
Annualized volatility	153%
Risk-free interest rate	1.86%
Dividend yield	Nil

5. SHARE CAPITAL (CONTINUED)

Stock options (Continued)

The option to acquire up to 300,000 shares issued to a consultant vest over a period of 12 months at a rate of 75,000 options per quarter beginning on March 21, 2018. The Company recognized \$18,474 as share-based compensation associated with these options.

The fair value of the vested stock options granted to a consultant was estimated using the Black-Scholes Option pricing model as at March 21, 2018. The fair value of the unvested stock options was revalued using the Black-Scholes Option pricing model as at April 30, 2018. The Company used the following assumptions:

	March 21, 2018	April 30, 2018
Expected life	4.76 years	4.65 years
Annualized volatility	149%	150%
Risk-free interest rate	2.10%	2.11%
Dividend yield	Nil	Nil

Share purchase warrants

The changes in the number of warrants outstanding during the nine-month period ended April 30, 2018, and for the year ended July 31, 2017 are as follows:

	Nine months ended April 30, 2018		Year ended July 31, 2017	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning	2,317,600	\$ 0.10	3,820,667	\$ 0.14
Warrants expired	(1,517,600)	(0.10)	(1,424,667)	(0.20)
Warrants exercised	(800,000)	(0.10)	(78,400)	(0.10)
Warrants outstanding, ending	-	n/a	2,317,600	\$ 0.10

As of April 30, 2018, the Company did not have any warrants issued and outstanding.

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 Board of Directors, officers, key management personnel, close family members and enterprises that are controlled by these individuals. Key management personnel are those having authority and responsibility for planning and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

6. RELATED PARTY TRANSACTIONS (CONTINUED)

The Company incurred the following transactions with related parties, including key management personnel that are not disclosed elsewhere in the financial statements:

	Nine months ended April 30,	
	2018	2017
Exploration and evaluation expenditures incurred to a private company controlled by certain directors and officers of the Company (Note 3)	\$ 384,933	\$ 804,141
Interest expense accrued on notes payable issued to a private company controlled by certain directors and officers of the Company	\$ 16,871	\$ 4,776
Project investigation costs incurred to a private company controlled by certain directors and officers of the Company	\$ -	\$ 1,150
Accounting, consulting, and administrative fees incurred to a private company controlled by an officer of the Company	\$ 54,000	\$ 54,000

Amounts 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, 2018, the amount payable to related parties was \$269,111 (July 31, 2017 - \$97,364).

At April 30, 2018, the Company was indebted to Fladgate Exploration Consulting Corporation (“Fladgate”), a privately-held corporation controlled by certain directors and officers of the Company, in the amount of \$83,022 (July 31, 2017 - \$291,151) under the notes payable the Company issued to Fladgate during the year ended July 31, 2017 (the “Loans”). The Loans are unsecured, due on demand and accumulate interest at a rate of 8% per annum compounded monthly. During the nine-month period ended April 30, 2018, the Company repaid \$225,000 in notes payable issued to Fladgate, of which \$27,822 was used to repay the interest accrued on the notes payable and \$197,178 was used to partially reduce the principal.