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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 MONTHS ENDED
OCTOBER 31, 2019 & 2018**

**NOTICE OF NO AUDITOR REVIEW
OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2019 & 2018**

The accompanying unaudited condensed interim financial statements of Kesselrun Resources Ltd. (the “Company”) for the three months ended October 31, 2019 and 2018, 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	October 31, 2019	July 31, 2019
(Unaudited)		
ASSETS		
Current		
	\$	\$
Cash	164,850	197,131
Sales tax receivable	23,780	8,946
Prepaid expenses	10,169	8,156
Marketable securities	4 727,875	873,450
Total current	926,674	1,087,683
Exploration and evaluation assets	3 2,621,467	2,484,678
Total assets	\$ 3,548,141	\$ 3,572,361
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
	\$	\$
Accounts payable	91	91
Accrued liabilities	11,434	11,452
Due to related parties	6 575,767	404,245
Note payable	6 93,600	91,738
	680,892	507,526
Shareholders' equity		
Share capital	5 5,998,427	5,998,427
Share-based payment reserve	5 559,846	559,846
Deficit	(3,691,024)	(3,493,438)
Total shareholders' equity	2,867,249	3,064,835
Total liabilities and shareholders' equity	\$ 3,548,141	\$ 3,572,361

Nature and continuance of operations (Note 1)

Approved on behalf of the Board of Directors on December 27, 2019:

/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 October 31,	
		2019	2018
Expenses:			
Accounting and audit	6	\$ 6,000	\$ 6,000
Administration	6	6,000	6,000
Consulting	6	21,000	23,500
Filing fees		810	903
Legal fees		90	-
Management fees	6	15,000	15,000
Meals and entertainment		272	49
Office expenses		925	549
Share-based compensation	5	-	(208)
Travel		52	-
Total expenses		(50,149)	(51,793)
Other items			
Interest on notes payable	6	(1,862)	(1,719)
Loss on marketable securities	4	-	(12,860)
Unrealized loss on marketable securities	4	(145,575)	(517,725)
Loss and comprehensive loss		\$ (197,586)	\$ (584,097)
Loss per share, basic and diluted		\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding - basic and diluted:		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		-	-	(208)	-	(208)
Net and comprehensive loss		-	-	-	(584,097)	(584,097)
Balance, October 31, 2018		37,763,483	5,998,427	560,426	(3,256,777)	3,302,076
Share-based compensation		-	-	(580)	-	(580)
Net and comprehensive loss		-	-	-	(236,661)	(236,661)
Balance, July 31, 2019		37,763,483	5,998,427	559,846	(3,493,438)	3,064,835
Net and comprehensive loss		-	-	-	(197,586)	(197,586)
Balance, October 31, 2019		37,763,483	\$ 5,998,427	\$ 559,846	\$ (3,691,024)	\$ 2,867,249

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

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

	Three Months Ended	
	October 31,	
	2019	2018
Cash flows used in operating activities		
Loss for the period	\$ (197,586)	\$ (584,097)
Items not affecting cash used in operations		
Accrued interest	1,862	1,719
Share-based compensation	-	(208)
Loss on marketable securities	145,575	530,585
Changes in non-cash working capital items		
Sales tax receivable	(14,834)	(3,662)
Prepaid expenses	(2,013)	1,397
Accounts payable	-	(18)
Accrued liabilities	(18)	(87)
Net cash used in operating activities	(67,014)	(54,371)
Cash flows (used in) provided by investing activities		
Exploration and evaluation assets	(136,789)	-
Disposition of marketable securities	-	58,045
Net cash (used in) provided by investing activities	(136,789)	58,045
Cash flows provided by financing activities		
Due to related parties	171,522	16,947
Net cash provided by financing activities	171,522	16,947
Changes in cash	(32,281)	20,621
Cash, beginning	197,131	49,025
Cash, ending	\$ 164,850	\$ 69,646

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KESSELRUN RESOURCES LTD.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the three months ended October 31, 2019 and 2018
(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 October 31, 2019, 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 October 31, 2019, the Company held 3,235,000 common shares of First Mining Finance Corp. (“First Mining”) valued at \$727,875 (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 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, 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 October 31, 2019, 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 October 31, 2019	\$ 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
Equipment rental	-	31,775	31,775
Geology	-	81,437	81,437
Deferred exploration costs, October 31, 2019	409,733	876,948	1,286,681
Total exploration and evaluation assets, October 31, 2019	\$ 659,553	\$ 1,961,914	\$ 2,621,467

KESSELRUN RESOURCES LTD.
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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 October 31, 2019, the Company’s marketable securities consisted of 3,235,000 First Mining shares (the “FM Shares”), valued at \$727,875 (July 31, 2019 - \$873,450) based on the closing price of FM Shares on October 31, 2019, being \$0.225 (July 31, 2019 - \$0.27). The Company records its marketable securities as fair value through profit and loss (“FVTPL”). During the three-month period ended October 31, 2019, the Company recorded a loss of \$145,575 on revaluation of its securities to their fair market value (October 31, 2018 - \$517,725). During the three-month period ended October 31, 2019, the Company did not sell any FM Shares. During the three-month period ended October 31, 2018, the Company sold 163,000 FM Shares for total cash proceeds of \$58,045 realizing a \$12,860 loss on the sale of the FM Shares.

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 three-month period ended October 31, 2019, 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.

During the three-month period ended October 31, 2019, and for the year ended July 31, 2019, the Company did not issue any new options to acquire the Company’s common stock.

Details of options outstanding as at October 31, 2019, are as follows:

Exercise price	Expiry date	Remaining life (years)	Number of options outstanding and exercisable
\$0.05	March 26, 2020	0.40	700,000
\$0.06	April 13, 2021	1.45	300,000
\$0.11	May 31, 2021	1.58	595,000
\$0.10	December 21, 2022	3.14	1,650,000
\$0.09		2.11	3,245,000

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 these 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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6. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Three months ended October 31,	
	2019	2018
Exploration and evaluation expenditures incurred to a private company controlled by certain directors and officers of the Company (Note 3)	\$ 136,789	\$ -
Accounting, consulting, and administrative fees incurred to a private company controlled by an officer and director of the Company	\$ 18,000	\$ 18,000
Management fees incurred to a private company controlled by an officer and director of the Company	\$ 15,000	\$ 15,000

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 October 31, 2019, the balance payable to related parties was \$575,767 (July 31, 2019 - \$404,245).

At October 31, 2019, 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 \$93,600 (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 three-month period ended October 31, 2019, the Company recorded interest expense of \$1,862 (October 31, 2018 - \$1,719).