



WWW.KESSELRUNRESOURCES.COM

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, 2017 & 2016**

**NOTICE OF NO AUDITOR REVIEW
OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2017 & 2016**

The accompanying unaudited condensed interim financial statements of Kesselrun Resources Ltd. (the “Company”) for the period ended April 30, 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, 2017	July 31, 2016
(Unaudited)			
ASSETS			
Current			
Cash		\$ 259,793	\$ 536,370
GST receivable		19,819	13,880
Prepaid expenses		13,035	25,593
Total current		292,647	575,843
Exploration and evaluation assets	3,6	2,203,647	1,354,553
Debentures receivable	4	1	1
Total assets		\$ 2,496,295	\$ 1,930,397
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable		\$ 91,733	\$ 7,554
Accrued liabilities		3,100	25,874
Due to related parties	6,7	300,933	1,238
Note payable		204,776	-
Total liabilities		600,542	34,666
Shareholders' equity			
Share capital	5	5,918,427	5,881,940
Share-based payment reserve	5	439,359	442,639
Deficit		(4,462,033)	(4,428,848)
Total shareholders' equity		1,895,753	1,895,731
Total liabilities and shareholders' equity		\$ 2,496,295	\$ 1,930,397

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 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,	
		2017	2016	2017	2016
Expenses:					
Accounting and audit	6	\$ 7,500	\$ 6,000	\$ 22,870	\$ 16,140
Administration	6	6,000	6,000	18,000	18,000
Advertising and promotion		408	6,622	1,254	6,622
Consulting	6	20,999	36,000	88,874	78,000
Filing fees		9,093	9,562	19,411	15,628
Legal fees		36,682	(618)	70,498	(618)
Meals and entertainment		1,209	2,063	4,446	2,063
Office expenses		1,909	3,571	7,128	5,603
Project investigation costs	6	-	-	1,150	-
Share-based compensation	5	11,821	5,399	1,367	6,745
Travel		3,555	4,049	7,401	4,049
Total expenses		(99,176)	(78,648)	(242,399)	(152,232)
Other items:					
Interest income	4	-	-	213,990	101,900
Interest on notes payable	6	(3,943)	-	(4,776)	-
Loss and comprehensive loss for the period		\$ (103,119)	\$ (78,648)	\$ (33,185)	\$ (50,332)
Loss per share, basic and diluted		\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding:		36,893,820	26,057,972	36,796,784	25,238,680

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

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

	Nine Months Ended April 30,	
	2017	2016
Cash flows generated by (used in) operating activities		
Income for the period	\$ (33,185)	\$ (50,332)
Items not affecting cash used in operations		
Accrued interest	4,776	-
Share-based compensation	1,367	6,745
Interest income earned	(213,990)	(101,900)
Changes in non-cash working capital items		
GST receivables	(5,939)	(6,016)
Prepaid expenses	12,558	(160)
Accounts payable	84,179	15,400
Accrued liabilities	(22,774)	(12,226)
Due to related parties	299,695	15,970
Net cash generated by (used in) operating activities	126,687	(132,519)
Cash flows provided by (used in) investing activities		
Exploration and evaluation assets	(825,094)	(4,060)
Interest received from debentures	213,990	101,900
Net cash provided by (used in) investing activities	(611,104)	97,840
Cash flows provided by financing activities		
Issuance of common shares for cash, net of issuance costs	-	232,500
Exercise of warrants	7,840	-
Notes payable	200,000	-
Net cash provided by financing activities	207,840	232,500
Increase (decrease) in cash	(276,577)	197,821
Cash, beginning	536,370	135,558
Cash, ending	\$ 259,793	\$ 333,379

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

KESSELRUN RESOURCES LTD.
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, 2015		24,835,750	\$ 4,255,313	\$ 289,232	\$ (4,170,034)	\$ 374,511
Private placements		5,000,000	250,000	-	-	250,000
Share issuance costs – cash		-	(17,500)	-	-	(17,500)
Share issuance costs – warrants		-	(11,616)	11,616	-	-
Share-based compensation		-	-	6,745	-	6,745
Net and comprehensive loss for the period		-	-	-	(50,332)	(50,332)
Balance, April 30, 2016		29,835,750	4,476,197	307,593	(4,220,366)	563,424
Private placements		2,849,333	427,400	-	-	427,400
Flow-through share premium liabilities		-	(17,780)	-	-	(17,780)
Share issuance costs – cash		-	(43,877)	-	-	(43,877)
Acquisition of exploration and evaluation assets		4,000,000	1,040,000	-	-	1,040,000
Share-based compensation		-	-	135,046	-	135,046
Net and comprehensive loss for the period		-	-	-	(208,482)	(208,482)
Balance, July 31, 2016		36,685,083	5,881,940	442,639	(4,428,848)	1,895,731
Exercise of warrants	5	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

The accompanying notes are an integral part of these 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”) 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, 2017, 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 on 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, 2016.

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, 2017, the Company’s interest in exploration and evaluation assets consisted of its main exploration project, the Bluffpoint Property and its newly acquired project, the Huronian Property. The following acquisition and deferred exploration costs were incurred on the Company’s exploration and evaluation projects:

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

3. EXPLORATION AND EVALUATION ASSETS (continued)

Exploration and evaluation assets at April 30, 2017			
	Bluffpoint	Huronian	Total
Acquisition costs, July 31, 2016	\$ 596,230	\$ 1,040,000	\$ 1,636,230
Additions during the period	-	44,966	44,966
Acquisition costs, April 30, 2017	596,230	1,084,966	1,681,196
Deferred exploration costs, July 31, 2016	1,712,414	-	1,712,414
Additions during the period:			
Assaying	19,690	16,262	35,952
Camp and travel	39,785	47,650	87,435
Claim maintenance	-	1,617	1,617
Equipment use / rental	124,840	112,845	237,685
Geology	254,547	186,892	441,439
Deferred exploration costs, April 30, 2017	2,151,276	365,266	2,516,542
Impairment	(1,994,091)	-	(1,994,091)
Total exploration and evaluation assets, April 30, 2017	\$ 753,415	\$ 1,450,232	\$ 2,203,647

Exploration and evaluation assets at July 31, 2016			
	Bluffpoint	Huronian	Total
Acquisition costs, July 31, 2015	\$ 592,170	\$ -	\$ 592,170
Additions during the year	4,060	1,040,000	1,044,060
Acquisition costs, July 31, 2016	596,230	1,040,000	1,636,230
Deferred exploration costs, July 31, 2015	1,641,921	-	1,641,921
Additions during the year:			
Camp and travel	11,763	-	11,763
Equipment use / rental	11,762	-	11,762
Geology	46,968	-	46,968
Deferred exploration costs, July 31, 2016	1,712,414	-	1,712,414
Impairment	(1,994,091)	-	(1,994,091)
Total exploration and evaluation assets, July 31, 2016	\$ 314,553	\$ 1,040,000	\$ 1,354,553

Bluffpoint Project

Through series of option agreements, the Company has exercised an option to acquire 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"). Upon closing, the optionor was appointed a director and officer of the Company. The significant terms of the option agreements are as follows:

The Company was required to make cash payments and issue common shares as follows:

3. EXPLORATION AND EVALUATION ASSETS (continued)

Bluffpoint Project (continued)

- On July 18, 2012 (the “Closing Date”) issue 2,000,000 common shares (issued with a fair value of \$200,000); and
- Make cash payment of \$200,000 (paid) and issue 2,000,000 common shares (issued with a fair value of \$100,000) on or before April 30, 2014.

The optionor assigned two thirds of his interest in the agreements 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 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.

During the year ended July 31, 2016, the Company resumed its exploration activities on the Bluffpoint Project which continued through to November 30, 2016, resulting in \$438,862 recorded as deferred exploration costs on the Bluffpoint Project at April 30, 2017, of which \$57,800 was attributed to preparation of geological report based on the results of the exploration work.

Huronian Gold Project

On June 28, 2016, the Company entered into a purchase agreement to acquire a 100% interest in the Huronian Gold Project (“Huronian Project”) from Chalice Gold Mines Limited (“Chalice”) and its wholly owned subsidiary, Coventry Resources Ontario Inc., and Pele Mountain Resources Inc. (“Pele”) and its wholly-owned subsidiary, Pele Gold Corporation (the “Transaction”).

In consideration for the purchase, the Company agreed to issue Chalice 2,040,000 and Pele 1,960,000 shares of the Company’s common stock for a total of 4,000,000 common shares, which share issuances 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 were valued at \$0.26 per share for a total fair value of \$1,040,000.

Huronian Project is subject to net smelter return royalties (“NSR”) as detailed in the table below:

Township/Area	Claim Type	Claims	Area (ha)	Total NSR
Moss	Unpatented	96	3,520.0	2.00%
Moss	Unpatented	57	1,120.0	2.50%
Moss	Patented	2	274.8	2.00%
Moss	Patented	2	129.5	2.50%
Total		157	5,044.3	

The Company retains a right to purchase up to 50% of the NSR by paying Chalice up to \$1,020,000 and Pele up to \$980,000, for a total of 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 key mining claim adjacent to the Huronian Project. In consideration for the purchase, the Company agreed to pay 1401385 Ontario Inc. (the “Vendor”) \$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.

3. EXPLORATION AND EVALUATION ASSETS (continued)

Huronian Gold Project (continued)

In addition to the acquisition payment, the Vendor retains a right to NSR over the mining claim in the amount of 2.0%. The Company can purchase up to 50% of the NSR by paying the Vendor \$1,000,000.

In September 2016 the Company commenced exploration of Huronian Project, resulting in \$365,266 recorded as deferred exploration costs on the Huronian Project at April 30, 2017, of which \$22,000 was attributed to preparation of geological report based on the results of the exploration work.

4. DEBENTURES RECEIVABLE

The Company holds a \$2,000,000 senior unsecured convertible debenture (the “Debenture”) of Tamaka Gold Corporation (“Tamaka”). Since the market value of the Debenture cannot be reasonably estimated, it was recorded as \$1, its estimated fair value.

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 Tamaka, up to 50% of the interest may be paid by the issuance of additional debentures of Tamaka. The Debenture is subject to certain restrictions on transfer and a right of first refusal in favour of Tamaka.

The table below lists the interest payments the Company has received on the Debenture:

Payment Date	Debenture, Principal	Interest Payment Received	
		Cash	Debenture
December 31, 2014	\$ 2,000,000	\$ 38,164	\$ 38,000
December 31, 2015	2,038,000	101,900	101,900
December 31, 2016	2,139,900	213,990	-
Total	\$ 2,139,900	\$ 354,054	\$ 139,900

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.

On June 17, 2016, Tamaka became a wholly-owned subsidiary of First Mining Finance Corp. (“First Mining”) (the “Acquisition”). Under the terms of the Debentures, a change of control of Tamaka results in an automatic conversion of the Debentures into common shares of Tamaka effective immediately prior to the closing of the Acquisition. First Mining has asserted that no change of control has occurred. On October 11, 2016, the Company filed a Notice of Application with the Ontario Superior Court of Justice in connection with the Debentures totalling \$2,237,540, consisting of \$2,139,900 principal and \$97,640 interest accrued up to June 16, 2016, against Tamaka and First Mining. The Company is of the opinion that it is probable that the claim will be ruled in the Company’s favour and the Company will be awarded shares of First Mining.

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, 2017, the Company had the following transactions which resulted in issuance of its common stock:

- On September 1, 2016, the Company issued 78,400 shares of its common stock on exercise of broker warrants at \$0.10 per share for gross proceeds of \$7,840.

5. SHARE CAPITAL (continued)

Share issuances (continued)

- On March 3, 2017, the Company issued 200,000 shares of its common stock as consideration for the acquisition of the key mining claim adjacent to the Company's Huronian Project. The shares were valued at \$0.12 per share for a total fair value of \$24,000.

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.

On April 13, 2016, the Company granted 300,000 stock options to its consultant at a price of \$0.06 per share expiring April 13, 2021. The options vest over a period of 12 months at a rate of 75,000 options per quarter beginning on July 13, 2016. At April 30, 2017, due to the fluctuation in market price of the Company's common stock during the nine-month period ended April 30, 2017, the Company recorded a recovery of share-based compensation of \$4,022 associated with these options.

On May 31, 2016, the Company granted 595,000 stock options to its consultant at a price of \$0.11 per share expiring May 31, 2021. The options vest over a period of 12 months at a rate of 148,750 options per quarter beginning on August 31, 2016. At April 30, 2017, due to the fluctuation in market price of the Company's common stock during the nine-month period ended April 30, 2017, the Company recorded a share-based compensation of \$5,389 associated with these options.

A summary of the changes in the number of stock options outstanding during the nine-month period ended April 30, 2017 and for the year ended July 31, 2016 is as follows:

	Nine months ended April 30, 2017		Year ended July 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	2,895,000	\$ 0.10	2,000,000	\$ 0.18
Options granted	-	-	1,045,000	0.09
Options cancelled or expired	(160,000)	(0.10)	(150,000)	(0.60)
Options outstanding, ending	2,735,000	\$ 0.10	2,895,000	\$ 0.10
Options exercisable, ending	2,586,250	\$ 0.10	2,075,000	\$ 0.10

Details of options outstanding as at April 30, 2017 are as follows:

Exercise price	Expiry date	Remaining life (years)	Number of options outstanding	Number of options exercisable
\$0.10	July 18, 2017	0.22	890,000	890,000
\$0.60	December 5, 2017	0.60	100,000	100,000
\$0.05	March 26, 2020	2.91	700,000	700,000
\$0.06	April 13, 2021	3.96	300,000	300,000
\$0.08	May 3, 2018	1.01	150,000	150,000
\$0.11	May 31, 2021	4.09	595,000	446,250
			2,735,000	2,586,250

At April 30, 2017, the weighted average remaining contractual life of the stock options outstanding was 2.21 years.

5. SHARE CAPITAL (continued)

Share purchase warrants

The changes in the number of warrants outstanding during the nine-month period ended April 30, 2017 and for the year ended July 31, 2016 are as follows:

	Nine months ended April 30, 2017		Year ended July 31, 2016	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning	3,820,667	\$ 0.14	-	\$ -
Warrants granted	-	-	3,820,667	0.14
Warrants exercised	(78,400)	0.10	-	-
Warrants outstanding, ending	3,742,267	\$ 0.14	3,820,667	\$ 0.14

Details of share purchase warrants outstanding as at April 30, 2017 are as follows:

Exercise price	Expiry date	Remaining life (years)	Number of warrants outstanding
\$0.10	April 08, 2018	0.94	2,317,600
\$0.20	June 14, 2017*	0.12	1,424,667
			3,742,267

* Subsequent to April 30, 2017, the Warrants to acquire up to 1,424,667 shares of the Company's common stock expired unexercised.

At April 30, 2017, the weighted average remaining contractual life of the warrants issued and outstanding was 0.63 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.

At April 30, 2017, the Company transferred \$4,647 to share capital, which was associated with exercise of broker warrants issued as part of April 8, 2016, private placement.

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,	
	2017	2016
Exploration and evaluation expenditures incurred to a private company controlled by certain directors and officers of the Company (Note 3)	\$ 804,141	\$ 4,060
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, 2017, the amount payable to related parties was \$300,933 (July 31, 2016 - \$1,238).

On December 22, 2016, the Company entered into a loan agreement (the “Loan Agreement”) with Fladgate Exploration Consulting Corporation, a company controlled by certain directors and officers of the Company, for a loan in the principal amount of \$200,000 (the “Loan”). Due to the delay in receiving the funds contemplated under the Loan Agreement, the Company and Fladgate agreed to amend the date of the Loan Agreement to January 12, 2017. The Loan is unsecured, due on demand and accumulates interest at a rate of 8% per annum. As at April 30, 2017, the Company accrued \$4,776 in interest expense associated with the Loan.

7. SUBSEQUENT EVENT

On June 15, 2017, the Company entered into a loan agreement (the “June Loan Agreement”) with Fladgate Exploration Consulting Corporation, for a loan in the principal amount of \$280,000 (the “June Loan”). The June Loan is unsecured, due on demand and accumulates interest at a rate of 8% per annum.