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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 SIX MONTHS ENDED JANUARY 31, 2016 & 2015

NOTICE OF NO AUDITOR REVIEW
OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2016 & 2015

The accompanying unaudited condensed interim financial statements of Kesselrun Resources Ltd. (the "Company") for the period ended January 31, 2016, 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		January 31, 2016 (unaudited)		July 31, 2015
ASSETS					
Current					
Cash		$	155,729	$	135,558
GST receivable			2,196		1,761
Prepaid expenses			12,801		10,000
Total current			170,726		147,319
Exploration and evaluation assets	3,6		240,000		240,000
Debentures receivable	4		1		1
Total assets		$	410,727	$	387,320
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts payable		$	3,031	$	339
Accrued liabilities			3,523		12,400
Due to related parties	6		-		70
Total liabilities			6,554		12,809
Shareholders' equity					
Share capital	5		4,255,313		4,255,313
Share-based payment reserve	5		290,578		289,232
Deficit			(4,141,718)		(4,170,034)
Total shareholders' equity			404,173		374,511
Total liabilities and shareholders' equity		$	410,727	$	387,320

Nature and continuance of operations (Note 1)

Approved on behalf of the Board of Directors:

/s/ Joao (John) da Costa	*/s/ Michael John Thompson*
Director	Director

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

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KESSELRUN RESOURCES LTD.

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Unaudited - Prepared by Management

(Expressed in Canadian Dollars)

	Note	Three Months Ended January 31, 2016	Three Months Ended January 31, 2015	Six Months Ended January 31, 2016	Six Months Ended January 31, 2015
Expenses:					
Accounting and audit	6	$ 6,000	$ 8,470	$ 10,140	$ 14,470
Administration	6	6,000	6,000	12,000	12,000
Advertising and promotion	6	-	1,043	-	1,344
Consulting	6	21,000	21,000	42,000	42,000
Filing fees		4,073	7,430	6,066	10,386
Legal fees		-	3,074	-	3,074
Meals and entertainment		-	1,534	-	1,812
Office and miscellaneous		768	1,663	2,032	2,390
Project investigation costs	6	-	4,050	-	7,200
Share-based compensation		1,462	-	1,346	-
Travel		-	3,902	-	4,017
Net loss before income taxes		(39,303)	(58,166)	(73,584)	(98,693)
Other income					
Interest income		101,900	38,164	101,900	38,164
Income (loss) and comprehensive income (loss) for the period		$ 62,597	$ (20,002)	$ 28,316	$ (60,529)
Income (loss) per share, basic and diluted		$ 0.00	$ (0.00)	$ 0.00	$ (0.00)
Weighted average number of common shares outstanding:		24,835,750	24,835,750	24,835,750	24,835,750

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)

	Six Months Ended January 31, 2016	Six Months Ended January 31, 2015
Cash flows used in operating activities		
Income (loss) for the period	$ 28,316	$ (60,529)
Items not affecting cash used in operations		
Share-based compensation	1,346	-
Interest income earned	(101,900)	(38,164)
Changes in non-cash working capital items		
GST receivables	(435)	(2,837)
Prepaid expenses	(2,801)	-
Accounts payable	2,692	18,537
Accrued liabilities	(8,877)	(15,061)
Due to related parties	(70)	15,161
Net cash used in operating activities	(81,729)	(82,893)
Cash flows provided by investing activities		
Exploration and evaluation assets	-	(6,668)
Interest received from debentures	101,900	38,164
Net cash provided by investing activities	101,900	31,496
Increase (decrease) in cash	20,171	(51,397)
Cash, beginning	135,558	308,989
Cash, ending	$ 155,729	$ 257,592

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

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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, 2014		24,835,750	$ 4,255,313	$ 274,617	$ (3,546,509)	$ 983,421
Net and comprehensive loss for the period		-	-	-	(60,529)	(60,529)
Balance, January 31, 2015		24,835,750	4,255,313	274,617	(3,607,038)	922,892
Share-based compensation		-	-	14,615	-	14,615
Net and comprehensive loss for the period		-	-	-	(562,996)	(562,996)
Balance, July 31, 2015		24,835,750	4,255,313	289,232	(4,170,034)	374,511
Share-based compensation	6	-	-	1,346	-	1,346
Net and comprehensive income for the period		-	-	-	28,316	28,316
Balance, January 31, 2016		24,835,750	$ 4,255,313	$ 290,578	$ (4,141,718)	$ 404,173

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").

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, 2016, 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, 2015.

b) Accounting standards issued but not yet effective

New standard IFRS 9 "Financial Instruments"

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.

3. EXPLORATION AND EVALUATION ASSETS

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:

- On July 18, 2012 (the "Closing Date") issue 2,000,000 common shares (issued with a fair value of $200,000); and

(Expressed in Canadian Dollars)

3. EXPLORATION AND EVALUATION ASSETS (Continued)

Bluffpoint Project (continued)

- 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 (Note 9).

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.

The following acquisition and deferred exploration costs were incurred on the Company's Bluffpoint Project at January 31, 2016 and July 31, 2015:

	January 31, 2016	July 31, 2015
Acquisition costs	$ 592,170	$ 592,170
Deferred exploration costs, beginning:	1,641,921	1,634,353
Camp and travel	-	517
Geology	-	7,051
Deferred exploration costs, closing	1,641,921	1,641,921
Impairment	(1,994,091)	(1,994,091)
Total exploration and evaluation assets	$ 240,000	$ 240,000

4. DEBENTURES RECEIVABLE

On August 15, 2014, the Company sold its 10% interest in the Goldlund Project for a $2,000,000 senior unsecured convertible debenture (the "Debenture") of Tamaka Gold Corporation ("Tamaka"), parent company of the Vendor of the Goldlund Project. The Debenture 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. 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 Tamaka, at the principal amount including all accrued and unpaid interest.

On December 31, 2015, the Company received a second interest payment on the Debenture. The total interest accumulated as at December 31, 2015 was calculated to be $203,800 (December 31, 2014 - $76,164). Tamaka 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 $101,900 (December 31, 2014 - $38,164) and a senior unsecured convertible debenture totalling $101,900 (December 31, 2014 - $38,000) (the "Interest Debentures").

Since Tamaka is a private corporation, the value of the original Debenture and the Interest Debentures, which the Company received on December 31, 2014 and December 31, 2015 (collectively, the "Debentures") cannot be reasonably estimated; therefore, the Debentures are carried on the statement of financial position at their fair value,

(Expressed in Canadian Dollars)

4. DEBENTURES RECEIVABLE (Continued…)

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 month period ended January 31, 2016, and the year ended July 31, 2015, the Company did not have any transactions that resulted in issuance 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, in its discretion and in accordance with TSX-V requirements, grant options to directors, officers and 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 are determined at the time of grant by the Board of Directors.

On March 26, 2015, the Company granted 700,000 stock options to its directors, officers and a consultant at a price of $0.05 per share expiring March 26, 2020. 300,000 of these options vested immediately and 400,000 vest over a period of 12 months in equal portions of 100,000 options. During the six month period ended January 31, 2016, the Company recorded a share-based compensation of $1,346.

A summary of the changes in the number of stock options outstanding during the six month period ended January 31, 2016 and for the year ended July 31, 2015 is as follows:

	Six months ended January 31, 2016		Year ended July 31, 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	2,000,000	$ 0.15	1,935,000	$ 0.18
Options granted	-	-	700,000	0.05
Options cancelled	-	-	(635,000)	(0.16)
Options outstanding, ending	2,000,000	$ 0.15	2,000,000	$ 0.15
Options exercisable, ending	1,900,000	$ 0.15	1,700,000	$ 0.16

Details of options outstanding as at January 31, 2016 are as follows:

Exercise price	Expiry date	Remaining life (years)	Number of options outstanding	Number of options exercisable
$0.10	December 7, 2016	0.85	160,000	160,000
$0.10	July 18, 2017	1.46	890,000	890,000
$0.60	December 5, 2017	1.85	250,000	250,000
$0.05	March 26, 2020	4.15	700,000	600,000
			2,000,000	1,900,000

At January 31, 2016, the weighted average remaining contractual life of the stock options outstanding was 2.40 years.

(Expressed in Canadian Dollars)

5. SHARE CAPITAL (continued)

Share purchase warrants

At January 31, 2016, the Company did not have any warrants issued and outstanding.

Reserves

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.

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

	Six months ended January 31, 2016	2015
Exploration and evaluation expenditures incurred to a private company controlled by certain directors and officers of the Company	$ -	$ 6,668
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
Accounting, consulting, and administrative fees incurred to a private company controlled by an officer of the Company	$ 36,000	$ 36,000

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 January 31, 2016 the amount payable to related parties was $Nil (July 31, 2015 - $70).