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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 NINE MONTHS ENDED  
APRIL 30, 2021 & 2020**

**NOTICE OF NO AUDITOR REVIEW  
OF THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 & 2020**

The accompanying unaudited condensed interim financial statements of Kesselrun Resources Ltd. (the “Company”) for the three and nine months ended April 30, 2021 and 2020, 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)  
(Unaudited)

	Note	April 30, 2021	July 31, 2020
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 3,789,696	\$ 770,570
Sales tax receivable		153,085	7,940
Prepaid expenses		172,312	27,457
Marketable securities	5	581,225	957,825
		<u>4,696,318</u>	<u>1,763,792</u>
Exploration and evaluation assets	4	4,425,709	2,722,224
<b>Total assets</b>		<u>\$ 9,122,027</u>	<u>\$ 4,486,016</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable		\$ 682	\$ 375
Accrued liabilities		717	16,563
Due to related parties	9	229,820	485,936
Note payable	9	105,481	99,374
Flow-through share premium liability	8	696,634	-
		<u>1,033,334</u>	<u>602,248</u>
<b>Shareholders' equity</b>			
Share capital	6	11,058,135	6,581,373
Share-based payment reserve	6	1,466,092	625,560
Deficit		(4,435,534)	(3,323,165)
Total shareholders' equity		<u>8,088,693</u>	<u>3,883,768</u>
<b>Total liabilities and shareholders' equity</b>		<u>\$ 9,122,027</u>	<u>\$ 4,486,016</u>

Nature and continuance of operations (Note 1)

Approved on behalf of the Board of Directors:

Joao (John) da Costa  
Director

Michael John Thompson  
Director

**KESSELRUN RESOURCES LTD.**  
**STATEMENTS OF COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)  
(Unaudited)

	Note	Three months ended April 30,		Nine months ended April 30,	
		2021	2020	2021	2020
<b>Expenses:</b>					
Accounting and audit	9	\$ 13,400	\$ 7,000	\$ 33,065	\$ 21,361
Administration	9	12,000	6,000	30,000	18,000
Advertising and promotion		62,037	4,455	137,267	4,455
Consulting	9	26,032	21,000	112,532	63,000
Filing fees		12,475	6,132	36,045	14,073
Legal fees		2,652	-	67,215	90
Management fees	9	37,500	15,000	90,000	45,000
Meals and entertainment		-	675	992	1,721
Office expenses		7,411	785	15,589	3,100
Share-based compensation	6,9	-	1,323	495,343	23,742
Travel		-	4,685	494	4,923
<b>Total expenses</b>		<b>(173,507)</b>	<b>(67,055)</b>	<b>(1,018,542)</b>	<b>(199,465)</b>
<b>Other items</b>					
Interest on notes payable	9	(2,031)	(1,897)	(6,107)	(5,659)
Settlement of flow-through share premium liabilities	8	152,422	-	181,975	-
Gain/(loss) on marketable securities	5	-	(12,055)	7,905	(8,830)
Unrealized loss on marketable securities	5	(104,100)	(24,350)	(277,600)	(138,575)
<b>Loss and comprehensive loss</b>		<b>\$ (127,216)</b>	<b>\$ (105,357)</b>	<b>\$(1,112,369)</b>	<b>\$ (352,529)</b>
<b>Loss per share, basic and diluted</b>		<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.02)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding – basic and diluted:</b>		<b>73,656,615</b>	<b>37,763,483</b>	<b>61,968,956</b>	<b>37,763,483</b>

**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
<b>Balance, July 31, 2019</b>		37,763,483	\$ 5,998,427	\$ 559,846	\$ (3,493,438)	\$ 3,064,835
Share-based compensation		-	-	23,742	-	23,742
Net and comprehensive loss		-	-	-	(352,529)	(352,529)
<b>Balance, April 30, 2020</b>		37,763,483	5,998,427	583,588	(3,845,967)	2,736,048
Private placement		10,761,665	645,700	-	-	645,700
Share issuance costs - cash		-	(27,699)	-	-	(27,699)
Share issuance costs - warrants		-	(35,055)	35,055	-	-
Share-based compensation		-	-	6,917	-	6,917
Net and comprehensive income		-	-	-	522,802	522,802
<b>Balance, July 31, 2020</b>		48,525,148	6,581,373	625,560	(3,323,165)	3,883,768
Private placements	6	23,562,728	5,826,782	173,187	-	5,999,969
Flow-through share premium liability	8	-	(878,609)	-	-	(878,609)
Share issuance costs - cash	6	-	(491,347)	-	-	(491,347)
Share issuance costs - warrants	6	-	(177,026)	177,026	-	-
Shares issued on exercise of warrants	6	1,599,482	196,962	(5,024)	-	191,938
Share-based compensation	6,9	-	-	495,343	-	495,343
Net and comprehensive loss		-	-	-	(1,112,369)	(1,112,369)
<b>Balance, April 30, 2021</b>		73,687,358	\$ 11,058,135	\$ 1,466,092	\$ (4,435,534)	\$ 8,088,693

**KESSELRUN RESOURCES LTD.**  
**STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)  
(Unaudited)

	<b>Nine Months Ended April 30,</b>	
	<b>2021</b>	<b>2020</b>
Cash flows used in operating activities		
Loss for the period	\$ (1,112,369)	\$ (352,529)
Items not affecting cash used in operations		
Accrued interest	6,107	5,659
Share-based compensation	495,343	23,742
Unrealized loss on marketable securities	277,600	138,575
Loss/(gain) on marketable securities	(7,905)	8,830
Other income on settlement of flow-through share premium	(181,975)	-
Changes in non-cash working capital items		
Sales tax receivable	(145,145)	3,813
Prepaid expenses	(144,855)	(8,144)
Accounts payable	307	8,471
Accrued liabilities	(15,846)	(10,982)
Net cash used in operating activities	(828,738)	(182,565)
Cash flows provided by/(used in) investing activities		
Exploration and evaluation assets	(1,703,485)	(138,406)
Disposition of marketable securities	106,905	178,170
Net cash provided by/(used in) investing activities	(1,596,580)	39,764
Cash flows provided by financing activities		
Issuance of common shares for cash	5,999,969	-
Share issuance costs	(491,347)	-
Issuance of common shares on warrant exercises	191,938	-
Due to related parties	(256,116)	113,570
Net cash provided by financing activities	5,444,444	113,570
Changes in cash	3,019,126	(29,231)
Cash, beginning	770,570	197,131
Cash, ending	\$ 3,789,696	\$ 167,900



## KESSELRUN RESOURCES LTD.

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020 (Expressed in Canadian Dollars) (Unaudited)

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#### 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 under the symbol TSX-V, and on OTC Pink, under the symbol KSSRF.

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, 2021, 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, 2021, the Company had \$3,789,696 cash and held 1,735,000 common shares of First Mining Finance Corp. (“FF Shares”) valued at \$581,225 (Note 5). The FF 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.

#### **Uncertainty Associated with Global Outbreak of Covid-19**

In March 2020, the World Health Organization declared an outbreak of COVID-19 a global pandemic. This contagious disease outbreak, which continues to spread, and any related adverse public health developments, have adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

#### 2. BASIS OF PREPARATION

These interim condensed financial statements were authorized for issue on June 28, 2021, by the directors of the Company.

##### a) Statement of Compliance and Basis of Presentation

The unaudited interim condensed financial statements have been prepared in accordance with International Accounting Standard IAS 34 – Interim Financial Reporting. The unaudited interim condensed 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 interim condensed 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, 2020.

##### 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. FINANCIAL INSTRUMENTS AND RISKS**

Financial instrument measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels at the fair value hierarchy are:

Level 1 — quoted prices in active markets for identical assets and liabilities.

Level 2 — observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 — unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

The Company has classified its cash and marketable securities as measured at fair value in the statement of financial position, using level 1 inputs.

**Categories of financial instruments**

<b>As at</b>	<b>April 30, 2021</b>	<b>July 31, 2020</b>
<b>Financial assets:</b>		
FVTPL		
Cash	\$ 3,789,696	\$ 770,570
Marketable securities	\$ 581,225	\$ 957,825
<b>Financial liabilities:</b>		
Amortized costs		
Accounts payable	\$ 682	\$ 375
Accrued liabilities	\$ 717	\$ 16,563
Due to related parties	\$ 229,820	\$ 485,936
Note payable	\$ 105,481	\$ 99,374
Flow-through share premium liability	\$ 696,634	\$ -

Assets and liabilities measured at fair value on a recurring basis:

<b>As at April 30, 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash	\$ 3,789,696	\$ -	\$ -	\$ 3,789,696
Marketable securities	\$ 581,225	-	-	\$ 581,225
	\$ 4,370,921	\$ -	\$ -	\$ 4,370,921

Accounts payable, due to related parties, note payable, and flow-through share premium liability approximate their fair value due to the short-term nature of these instruments.

**Risk management**

The Company has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk. Management, the Board of Directors, and the Audit Committee monitor risk management activities and review the adequacy of such activities.

*Credit risk:*

Credit risk is the risk of potential loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is limited to the carrying amount on the statement of financial position and arises from the Company's cash, which is held with a high-credit quality financial institution. As such, the Company's credit risk exposure is minimal.

*Market risk:*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices.



**3. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)**
**Risk management (Continued)**
*i. Interest rate risk:*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In order to maintain liquidity, the Company invests its flow-through cash at floating rates of interest in cash equivalents. There is a minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash as they are generally held with large financial institutions.

*ii. Currency risk:*

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company has minimal financial risk arising from fluctuations in foreign exchange rates as the Company does not own foreign currency denominated financial assets or liabilities.

*iii. Equity price risk:*

Equity price risk is the risk that the fair value of equity/securities decreases as a result of changes in the levels of equity indices and the value of individual stocks. The Company is exposed to equity price risk as a result of its investments in marketable securities.

*Liquidity risk:*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures that there are sufficient funds to meet its short-term business requirements, considering its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

As of April 30, 2021, the Company had current assets of \$4,696,318 to settle current liabilities of \$1,033,334, which had contractual maturities of less than 30 days and were subject to normal trade terms.

**4. EXPLORATION AND EVALUATION ASSETS**

As of April 30, 2021, and July 31, 2020, the Company's interest in exploration and evaluation assets consist of the Huronian Gold Project and Bluffpoint Gold Project. The costs incurred on the Company's exploration and evaluation properties are summarized as follows:

	<b>Bluffpoint</b>	<b>Huronian</b>	<b>Total</b>
Acquisition costs, July 31, 2020 and April 30, 2021	\$ 249,820	\$ 1,084,966	\$ 1,334,786
Deferred exploration costs, July 31, 2020	409,733	977,705	1,387,438
Additions:			
Assaying	-	136,860	136,860
Camp and travel	-	145,985	145,985
Claim maintenance	-	80	80
Drilling	-	1,008,406	1,008,406
Equipment use/rental	-	74,650	74,650
Geology	-	337,504	337,504
Deferred exploration costs, April 30, 2021	409,733	2,681,190	3,090,923
<b>Total exploration and evaluation assets, April 30, 2021</b>	<b>\$ 659,553</b>	<b>\$ 3,766,156</b>	<b>\$ 4,425,709</b>

**KESSELRUN RESOURCES LTD.**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020  
(Expressed in Canadian Dollars)  
(Unaudited)

**4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

	<b>Bluffpoint</b>	<b>Huronian</b>	<b>Total</b>
Acquisition costs, July 31, 2019 and 2020	\$ 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 and travel	-	27,065	27,065
Claim maintenance	-	1,618	1,618
Equipment use/rental	-	61,063	61,063
Geology	-	142,288	142,288
Deferred exploration costs, July 31, 2020	409,733	977,705	1,387,438
<b>Total exploration and evaluation assets, July 31, 2020</b>	<b>\$ 659,553</b>	<b>\$ 2,062,671</b>	<b>\$ 2,722,224</b>

**Huronian Gold Project**

The Company holds a 100% interest in the Huronian Gold Project (“Huronian Project”), located in Moss Township, Thunder Bay Mining Division, Ontario.

The Huronian Project is subject to NSR ranging from 2% to 2.5% of which the Company retains a right to purchase up to 50% 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. 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.

**Bluffpoint Gold Project**

The Company holds a 100% interest in 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.

**5. MARKETABLE SECURITIES**

The Company’s marketable securities consist of common shares of First Mining Gold Corp. listed on Toronto Stock Exchange under the symbol “FF” (the “FF Shares”).

During the nine-month period ended April 30, 2021, the Company sold 200,000 FF Shares (2020 – 800,000 FF Shares) for total cash proceeds of \$106,905 (2020 – \$178,170). The Company realized a gain of \$7,905 on sales of FF Shares (2020 – \$8,830 loss).

At April 30, 2021, the investment in FF Shares was valued at \$581,225 (2020 - \$957,825), based on the closing market share price of \$0.335 (2020 - \$0.495). The Company records its marketable securities as FVTPL. During the nine-month period ended April 30, 2021, the Company recorded a loss of \$277,600 on revaluation of its securities to their fair market value (2020 - \$138,575).

**6. 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**

On December 7, 2020, the Company closed a brokered private placement financing (the “December Financing”) generating gross proceeds of \$5,999,969 through issuing the following securities:

- 9,920,501 units of the Company (the “Units”) at a price of \$0.22 per Unit, where each unit was comprised of one common share and one half of one common share purchase warrant (each whole warrant, a “Warrant”). Each whole Warrant can be exercised into one Common Share at a price of \$0.33 at any time on or before December 7, 2022. The warrants were valued at \$99,205.
- 6,244,000 flow-through common shares of the Company (the “FT Shares”) to traditional flow-through purchasers at a price of \$0.25 per FT Share. The premium received on FT Shares issued was determined to be \$249,760 and was recorded as share capital reduction. An equivalent premium liability was recorded and will be reduced as and when the qualified exploration expenditures occur.
- 7,398,227 flow-through units of the Company (the “FT Units”) sold to charitable flow-through purchasers at a price of \$0.305 per FT Unit. Each FT Unit was comprised of one FT Share and one half of one Warrant. Each whole Warrant can be exercisable into one Common Share at a price of \$0.33 at any time on or before December 7, 2022. The warrants were valued at \$73,982. The premium received on FT Units issued was determined to be \$628,849 and was recorded as share capital reduction. An equivalent premium liability was recorded and will be reduced as and when the qualified exploration expenditures occur.

In connection with the December Financing, Red Cloud Securities Inc. (“Red Cloud”), which acted as sole agent and bookrunner under the December Financing, received a cash commission of \$389,128 and 1,512,891 non-transferable agent warrants entitling Red Cloud to purchase one Unit of the Company at a price of \$0.22 per Unit until December 7, 2022. Red Cloud was also paid a financial advisory fee of \$12,320 and issued 56,000 advisory warrants having the same terms and conditions as the agent warrants. The agent warrants and advisory warrants were valued at \$177,026. In addition, the Company recorded further \$89,899 as cash share issuance costs.

The fair value of the agent warrants was estimated using the Black-Scholes Option pricing model using the following assumptions:

	<b>December 7, 2020</b>
Expected life	2 years
Annualized volatility	141%
Risk-free interest rate	0.28%
Dividend yield	Nil

During the nine-month period ended April 30, 2021, the Company issued 1,533,332 shares of its common stock for total proceeds of \$184,000. The shares were issued on exercise of warrants issued as part of July 2020 non-brokered private placement financing. In addition, the Company issued a total of 66,150 shares of its common stock upon exercise of broker warrants issued as part of July 2020 for total proceeds of \$7,938. These warrants had an initial fair value of \$5,024.

**6. 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, 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.

On January 16, 2020, the Company’s board of directors granted 500,000 incentive stock options to its directors, officers, and a consultant. The stock options are exercisable at a price of \$0.05 per share for a period of five years expiring on January 16, 2025. The options issued to directors and officer of the Company vested immediately upon grant, and the Company recognized \$22,033 as share-based compensation associated with these options.

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

	<b>January 16, 2020</b>
Expected life	5 years
Annualized volatility	150%
Risk-free interest rate	1.57%
Dividend yield	Nil

The options to acquire up to 100,000 shares issued to a consultant vest over a period of 12 months at a rate of 25,000 options per quarter beginning on April 16, 2020. During the nine-month period ended April 30, 2021, the Company recognized \$7,543 as share-based compensation associated with these options. As at April 30, 2021, an option to acquire up to 100,000 shares was cancelled in accordance with the Option Plan on termination of the consulting agreement.

On August 11, 2020, the Company granted 650,000 incentive stock options to its directors, officers, and consultants. The stock options vested immediately and are exercisable at a price of \$0.30 per share for a period of five years expiring on August 11, 2025. The Company recognized \$163,289 as share-based compensation associated with these options. As at April 30, 2021, an option to acquire up to 200,000 shares was cancelled in accordance with the Option Plan on termination of the consulting agreement.

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

	<b>August 11, 2020</b>
Expected life	5 years
Annualized volatility	147%
Risk-free interest rate	0.38%
Dividend yield	Nil

On August 26, 2020, the Company granted 350,000 incentive stock options to its consultants. The stock options vested immediately and were exercisable at a price of \$0.40 per share for a period of two years expiring on August 26, 2022. The Company recognized \$115,208 as share-based compensation associated with these options. As at April 30, 2021, these options were cancelled in accordance with the Option Plan on termination of the consulting agreements.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
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**6. SHARE CAPITAL (CONTINUED)**
**Stock options (Continued)**

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

	<b>August 26, 2020</b>
Expected life	2 years
Annualized volatility	143%
Risk-free interest rate	0.29%
Dividend yield	Nil

On October 15, 2020, the Company granted 250,000 incentive stock options to its consultant. The stock options vested immediately and were exercisable at a price of \$0.40 per share for a period of two years expiring on October 15, 2022. As at April 30, 2021, these options were cancelled in accordance with the Option Plan on termination of the consulting agreement. The Company recognized \$61,212 as share-based compensation associated with these options.

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

	<b>October 15, 2020</b>
Expected life	2 years
Annualized volatility	142%
Risk-free interest rate	0.23%
Dividend yield	Nil

On January 6, 2021, the Company granted 1,000,000 incentive stock options to its directors and officers. The stock options vested immediately and are exercisable at a price of \$0.40 per share for a period of five years expiring on January 6, 2026. The Company recognized \$148,091 as share-based compensation associated with these options.

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

	<b>January 6, 2021</b>
Expected life	5 years
Annualized volatility	132%
Risk-free interest rate	0.41%
Dividend yield	Nil

A summary of the changes in stock options outstanding is as follows:

	<b>Nine months ended April 30, 2021</b>		<b>Year ended July 31, 2020</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>
Outstanding, beginning	2,450,000	\$ 0.08	3,245,000	\$ 0.09
Granted	2,250,000	\$ 0.37	500,000	\$ 0.05
Cancelled or expired	(1,500,000)	\$ 0.24	(1,295,000)	\$ 0.08
Outstanding, ending	3,200,000	\$ 0.22	2,450,000	\$ 0.08
Exercisable, ending	3,200,000	\$ 0.22	2,400,000	\$ 0.09

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(Expressed in Canadian Dollars)  
(Unaudited)

**6. SHARE CAPITAL (CONTINUED)**

**Stock options (Continued)**

Stock options at April 30, 2021, are as follows:

Exercise price	Expiry date	Remaining life (years)	Number of options outstanding
\$0.10	December 21, 2022	1.64	1,350,000
\$0.05	January 16, 2025	3.72	400,000
\$0.30	August 10, 2025	4.28	450,000
\$0.40	January 6, 2026	4.69	1,000,000
\$0.22		3.23	3,200,000

At April 30, 2021, the outstanding stock options had an average exercise price of \$0.22 and their remaining contractual life was 3.23 years.

**Share-purchase warrants**

A summary of the changes in share-purchase warrants outstanding is as follows:

	Nine months ended April 30, 2021	Year ended July 31, 2020
	Number of warrants	Number of warrants
Outstanding, beginning	5,842,483	-
Issued	10,228,255	5,842,483
Exercised	(1,599,482)	-
Outstanding, ending	14,471,2556	5,842,483

At April 30, 2021, the outstanding share-purchase warrants had an exercise price of \$0.26 and their remaining contractual life was 1.19 years.

Included in 10,228,255 warrants issued during the nine-month period ended April 30, 2021, are 1,568,891 non-transferable agent warrants the Company issued in connection with the December Financing (the "Agent Warrant"). The Agent Warrants entitle a holder to acquire 1,568,891 Units of the Company at a price of \$0.22 per Unit until December 7, 2022. Each Unit, is comprised of one common share and one half of one common share purchase Warrant. Each whole Warrant can be exercised into one common share of the Company at a price of \$0.33 at any time on or before December 7, 2022. The agent warrants were valued at \$177,026.

A total of 8,659,364 Warrants issued as part of the December Financing were valued at \$173,187.

**7. COMMITMENT**

On July 10, 2020, the Company completed a private placement of flow-through units for gross proceeds of \$645,700. The Company was required to spend the funds on qualified exploration programs no later than December 31, 2022. The Company renounced the expenditures and available income tax benefits to the flow-through shareholders effective December 31, 2020. As at April 30, 2021, the Company had used all flow-through funds, being \$645,700, on qualified exploration expenses.

On December 7, 2020, the Company completed the December Financing which included flow-through shares and flow-through units for total proceeds of \$3,817,459. The Company is required to spend the funds on qualified exploration programs no later than December 31, 2022. The Company renounced the expenditures and available income tax benefits to the flow-through shareholders effective December 31, 2020. As at April 30, 2021, the Company had used a total of \$1,137,348 on qualified exploration expenses.

**KESSELRUN RESOURCES LTD.**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020  
(Expressed in Canadian Dollars)  
(Unaudited)

**8. FLOW-THROUGH SHARE PREMIUM LIABILITY**

	<b>April 30, 2021</b>
Balance, July 31, 2020	\$ -
December Financing, share premium liability on flow-through shares	249,760
December Financing, share premium liability on flow-through units	628,849
Reversal recognized upon expenditures being incurred	(181,975)
<b>Balance, April 30, 2021</b>	<b>\$ 696,634</b>

On December 7, 2020, the Company closed its December Financing issuing 6,244,000 flow-through Common Shares at a price of \$0.25 per Flow-through Share for aggregate gross proceeds of \$1,561,000, and 7,398,227 Flow-through Units at a price of \$0.305 per Flow-through Unit for aggregate gross proceeds of \$2,256,459. The premium received on the Flow-through shares and Flow-through Units issued was determined to be \$878,609 and was recorded as a share capital reduction. An equivalent premium liability was recorded and is being reduced as and when the qualified exploration expenditures occur.

During the nine-month period ended April 30, 2021, the Company recorded \$181,975 in income that resulted from the flow-through share premium. The Company did not have similar transactions during the nine-month period ended April 30, 2020.

**9. 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 those having authority and responsibility for planning, directing and controlling the activities of the Company as a whole.

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

	<b>Nine months ended April 30,</b>	
	<b>2021</b>	<b>2020</b>
Exploration and evaluation expenditures incurred to a private company controlled by certain directors and officers of the Company (Note 4)	\$ 1,703,405	\$ 138,406
Accounting, consulting, and administrative fees incurred to a private company controlled by an officer of the Company	\$ 83,250	\$ 54,000
Management fees incurred to a private company controlled by an officer of the Company	\$ 90,000	\$ 45,000
Share-based compensation on options granted to directors and officers of the Company	\$ 217,175	\$ 22,033

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 April 30, 2021, the balance payable to related parties was \$229,820 (2020 - \$485,936).

At April 30, 2021, the Company was indebted to Fladgate Exploration Consulting Corporation, a private company controlled by certain directors and officers of the Company, in the amount of \$105,481 (2020 - \$99,374) under the loan payable. The loan bears interest at 8% per annum compounded monthly, is unsecured and due on demand. During the nine-month period ended April 30, 2021, the Company recorded interest expense of \$6,107 (2020 - \$5,659).

**10. SUBSEQUENT EVENT**

Subsequent to April 30, 2021, the Company issued 2,404,300 shares of its common stock for total proceeds of \$288,516. The shares were issued on exercise of warrants issued as part of July 2020 non-brokered private placement financing.