



WWW.KESSELRUNRESOURCES.COM

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, 2022 & 2021**

**NOTICE OF NO AUDITOR REVIEW
OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2022 & 2021**

The accompanying unaudited condensed interim financial statements of Kesselrun Resources Ltd. (the “Company”) for the three months ended October 31, 2022 and 2021, 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.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited)



	Note	October 31, 2022	July 31, 2022
ASSETS			
Current			
Cash		\$ 954,907	\$ 1,634,087
Receivables	11	128,509	250,341
Prepaid expenses	10	15,010	149,197
Marketable securities	5	373,909	459,220
		1,472,335	2,492,845
Exploration and evaluation assets	4	10,269,962	9,322,784
Total assets		\$ 11,742,297	\$ 11,815,629
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable		\$ 1,370	\$ 2,536
Accrued liabilities		26,614	22,531
Due to related parties	9	940,240	797,345
Note payable	9	118,921	116,555
Flow-through share premium liability	8	-	196,884
		1,087,145	1,135,851
Shareholders' equity			
Share capital	6	12,014,772	12,014,772
Share-based payment reserve	6	2,851,364	2,851,364
Deficit		(4,210,984)	(4,186,358)
Total shareholders' equity		10,655,152	10,679,778
Total liabilities and shareholders' equity		\$ 11,742,297	\$ 11,815,629

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.
CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
(Unaudited)



	Note	Three months ended October 31,	
		2022	2021
Expenses:			
Accounting and audit	9	\$ 16,305	\$ 12,000
Administration	9	12,000	12,000
Advertising and promotion		1,877	116,079
Consulting	9	53,722	13,500
Filing fees		6,761	3,176
Legal fees		369	395
Management fees	9	37,500	37,500
Office expenses		5,299	1,648
Total expenses		(133,833)	(196,298)
Other items			
Interest on notes payable	9	(2,366)	(2,185)
Recovery of flow-through share premium liabilities	8	196,884	206,706
Unrealized loss on marketable securities	5	(85,311)	(165,122)
Loss and comprehensive loss		\$ (24,626)	\$ (156,899)
Loss per share, basic and diluted		\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding – basic and diluted:		93,671,837	77,780,356

KESSELRUN RESOURCES LTD.**CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Expressed in Canadian Dollars)

(Unaudited)



	Number of Shares	Share Capital	Share-based Payment Reserve	Deficit	Total
Balance, July 31, 2021	77,780,356	\$ 10,472,942	\$ 2,322,349	\$ (4,031,883)	\$ 8,763,408
Net and comprehensive loss	-	-	-	(156,899)	(156,899)
Balance, October 31, 2021	77,780,356	\$ 10,472,942	\$ 2,322,349	\$ (4,188,782)	\$ 8,606,509
Balance, July 31, 2022	93,671,837	\$ 12,014,772	\$ 2,851,364	\$ (4,186,358)	\$ 10,679,778
Net and comprehensive loss	-	-	-	(24,626)	(24,626)
Balance, October 31, 2022	93,671,837	\$ 12,014,772	\$ 2,851,364	\$ (4,210,984)	\$ 10,655,152

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



	Three Months Ended October 31,	
	2022	2021
Cash flows used in operating activities		
Loss for the period	\$ (24,626)	\$ (156,899)
Items not affecting cash used in operations		
Accrued interest	2,366	2,185
Foreign exchange gain	3	-
Unrealized loss on marketable securities	85,311	165,122
Recovery of flow-through share premium liabilities	(196,884)	(206,706)
Changes in non-cash working capital items		
Receivables	121,832	(14,159)
Prepaid expenses	134,187	(20,469)
Accounts payable	(1,169)	(970)
Accrued liabilities	4,083	504
Due to related parties	(456,407)	(182,826)
Net cash used in operating activities	(331,304)	(414,218)
Cash flows used in investing activities		
Exploration and evaluation assets	(347,876)	(741,707)
Net cash used in investing activities	(347,876)	(741,707)
Changes in cash	(679,180)	(1,155,925)
Cash, beginning	1,634,087	3,082,969
Cash, ending	\$ 954,907	\$ 1,927,044

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 QB.

These condensed interim 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, 2022, 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, 2022, the Company had \$954,907 in cash and accumulated a deficit of \$4,210,984, in addition the Company held 1,735,000 common shares of First Mining Finance Corp. (“First Mining”) valued at \$355,675, and 57,886 shares and 28,943 warrants of Treasury Metals Inc. (“Treasury Metals”) valued at \$18,234 (Note 7), which resulted in working capital of \$385,190. These factors indicate the existence of material uncertainty that may cast significant doubt about 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 278 Bay Street, Suite 102, Thunder Bay, ON P7B 1R8.

2. BASIS OF PREPARATION

These condensed interim financial statements were authorized for issue on December 23, 2022, by the directors of the Company.

a) Statement of Compliance and Basis of Presentation

The condensed interim financial statements have been prepared in accordance with International Accounting Standard IAS 34 – Interim Financial Reporting. The 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 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, 2022.

3. FINANCIAL INSTRUMENTS AND RISKS

Financial instruments 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.

KESSELRUN RESOURCES LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED OCTOBER 31, 2022 AND 2021

(Expressed in Canadian Dollars)

(Unaudited)

**Categories of financial instruments**

As at	October 31, 2022	July 31, 2022
Financial assets:		
FVTPL		
Cash	\$ 954,907	\$ 1,634,087
Marketable securities	\$ 373,909	\$ 459,220
Financial liabilities:		
Amortized cost		
Accounts payable	\$ 1,370	\$ 2,536
Accrued liabilities	\$ 26,614	\$ 22,531
Due to related parties	\$ 940,240	\$ 797,345
Note payable	\$ 118,921	\$ 116,555

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

As at October 31, 2022	Level 1	Level 2	Level 3	Total
Cash	\$ 954,907	\$ -	\$ -	\$ 954,907
Marketable securities	373,909	-	-	373,909
	\$ 1,328,816	\$ -	\$ -	\$ 1,328,816

Accounts payable, accrued liabilities, due to related parties, and note payable 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.

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. The Company has minimal interest rate risk as it has no interest accumulating financial assets that may become susceptible to interest rate fluctuations.

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.

KESSELRUN RESOURCES LTD.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

FOR THE THREE MONTHS ENDED OCTOBER 31, 2022 AND 2021

(Expressed in Canadian Dollars)

(Unaudited)

*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, taking into account 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 October 31, 2022, the Company had current assets of \$1,472,335 to settle current liabilities of \$1,087,145, which had contractual maturities of less than 30 days and were subject to normal trade terms.

4. EXPLORATION AND EVALUATION ASSETS

As of October 31, 2022 and July 31, 2022, the Company's interest in exploration and evaluation assets consisted of the Bluffpoint Property and the Huronian Property. The costs incurred on the Company's exploration and evaluation properties are summarized as follows:

Exploration and Evaluation Assets as at October 31, 2022	Bluffpoint	Huronian	Total
Acquisition costs, October 31, 2022 and July 31, 2022	\$ 249,820	\$ 1,084,966	\$ 1,334,786
Deferred exploration costs, July 31, 2022	409,733	7,578,265	7,987,998
Additions:			
Assaying	412	86,905	87,317
Camp and travel	50,271	72,504	122,775
Drilling	-	57,122	57,122
Equipment use/rental	270,900	21,006	291,906
Geology	168,325	254,152	422,477
Government grants received	(34,419)	-	(34,419)
Deferred exploration costs, October 31, 2022	865,222	8,069,954	8,935,176
Total exploration and evaluation assets, October 31, 2022	\$ 1,115,042	\$ 9,154,920	\$ 10,269,962
Exploration and Evaluation Assets as at July 31, 2022	Bluffpoint	Huronian	Total
Acquisition costs, July 31, 2022 and July 31, 2021	\$ 249,820	\$ 1,084,966	\$ 1,334,786
Deferred exploration costs, July 31, 2021	409,733	3,840,594	4,250,327
Additions:			
Assaying	-	1,500,166	1,500,166
Camp and travel	-	376,367	376,367
Drilling	-	931,686	931,686
Equipment use/rental	-	157,267	157,267
Geology	-	772,185	772,185
Deferred exploration costs, July 31, 2022	409,733	7,578,265	7,987,998
Total exploration and evaluation assets, July 31, 2022	\$ 659,553	\$ 8,663,231	\$ 9,322,784

Bluffpoint 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").

KESSELRUN RESOURCES LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED OCTOBER 31, 2022 AND 2021

(Expressed in Canadian Dollars)

(Unaudited)



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 (“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.

The Company holds 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.

5. MARKETABLE SECURITIES

The Company’s marketable securities consist of 1,735,000 shares in First Mining Gold Corp. listed on Toronto Stock Exchange under the symbol “FF” (the “FF Shares”), 57,886 shares of Treasury Metals Inc. listed on Toronto Stock Exchange under the symbol “TML.TO” (the “Treasury Metals Shares”), and 28,943 warrants to acquire shares of Treasury Metals Inc. listed on Toronto Stock Exchange under the symbol “TML.WT” (the “Treasury Metals Warrants”).

During the three-month periods ended October 31, 2022 and 2021, the Company did not sell any of its marketable securities.

At October 31, 2022, the investment in FF Shares was valued at \$355,675 (July 31, 2022 - \$433,750), and investment in Treasury Metals Shares and Treasury Metals Warrants was valued at \$18,234 (July 31, 2022 - \$25,470). The Company records its marketable securities as FVTPL. During the three-month period ended October 31, 2022, the Company recorded a loss of \$85,311 on revaluation of its marketable securities to their fair market value (October 31, 2021 - \$165,122).

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

During the three-month period ended October 31, 2022, 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.

KESSELRUN RESOURCES LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
 FOR THE THREE MONTHS ENDED OCTOBER 31, 2022 AND 2021
 (Expressed in Canadian Dollars)
 (Unaudited)



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

	Three months ended October 31, 2022		Year ended July 31, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning	4,550,000	\$ 0.25	4,000,000	\$ 0.25
Granted	-	\$ 0.25	600,000	\$ 0.25
Cancelled or expired	(25,000)	\$ 0.25	(50,000)	\$ 0.25
Outstanding and exercisable, ending	4,525,000	\$ 0.25	4,550,000	\$ 0.25

Stock options at October 31, 2022, are as follows:

Exercise price	Expiry date	Remaining life (years)	Number of options outstanding
\$0.10	December 21, 2022 ⁽¹⁾	0.14	1,350,000
\$0.05	January 16, 2025	2.21	400,000
\$0.30	August 10, 2025	2.78	425,000
\$0.40	January 6, 2026	3.19	1,000,000
\$0.40	July 14, 2026	3.70	800,000
\$0.25	December 21, 2026	4.14	550,000
\$0.25		2.36	4,525,000

(1) These options expired unexercised subsequent to October 31, 2022.

Share-purchase warrants

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

	Three months ended October 31, 2022	Year ended July 31, 2022
	Number of warrants	Number of warrants
Outstanding, beginning	20,014,847	11,012,701
Issued	-	9,002,146
Outstanding, ending	20,014,847	20,014,847

At October 31, 2022, the outstanding share-purchase warrants had a weighted-average exercise price of \$0.27 and their remaining contractual life was 0.55 years.

Included in 20,014,847 warrants outstanding as at October 31, 2022, are 1,568,891 non-transferable agent warrants and the consultant warrants the Company issued in connection with the December 2020 Financing. The agent warrants and the consultant warrants entitle a holder to acquire 1,568,891 2020 Units of the Company at a price of \$0.22 per 2020 Unit until December 7, 2022. Each 2020 Unit is comprised of one common share and one half of one common share purchase warrant. Each whole 2020 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. These warrants expired unexercised subsequent to October 31, 2022.

7. COMMITMENT

On December 8, 2021, the Company completed the December 2021 Financing which included FT Units and Charity FT Units for total proceeds of \$3,000,000. 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, 2021.

KESSELRUN RESOURCES LTD.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

FOR THE THREE MONTHS ENDED OCTOBER 31, 2022 AND 2021

(Expressed in Canadian Dollars)

(Unaudited)



As at October 31, 2022, the Company had used all of the funds raised through December 2021 Financing on qualified exploration expenses.

8. FLOW-THROUGH SHARE PREMIUM LIABILITY

Balance, July 31, 2021	\$ 423,247
December 2021 Financing, share premium liability on flow-through units	325,721
December 2021 Financing, share premium liability on flow-through units sold to charitable purchasers	430,521
Reversal recognized upon expenditures being incurred	(982,605)
Balance, July 31, 2022	196,884
Reversal recognized upon expenditures being incurred	(196,884)
Balance, October 31, 2022	\$ -

During the three-month period ended October 31, 2022, the Company recorded \$196,884 in income from the flow-through share premium as a result of qualified exploration expenditures being met (October 31, 2021 – \$206,706).

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:

	Three months ended October 31,	
	2022	2021
Exploration and evaluation expenditures incurred to a private company controlled by certain directors and officers of the Company (Note 4)	\$ 813,680	\$ 741,707
Accounting, consulting, and administrative fees incurred to a private company controlled by an officer of the Company	\$ 37,500	\$ 37,500
Management fees incurred to a private company controlled by an officer of the Company	\$ 37,500	\$ 37,500

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, 2022, the balance payable to related parties was \$940,240 (July 31, 2022 - \$797,345).

In addition, at October 31, 2022, the Company was indebted to a private company controlled by certain directors and officers in the amount of \$118,921 (July 31, 2022 - \$116,555) under the loan payable. The loan bears interest at 8% per annum compounded monthly, is unsecured and due on demand. During the three-month period ended October 31, 2022, the Company recorded interest expense of \$2,366 (October 31, 2021 - \$2,185).

10. PREPAID EXPENSES

Prepaid expenses consisted of the following:

	October 31, 2022	July 31, 2022
Prepaid exploration costs	\$ -	\$ 101,039
Prepaid operating expenses	15,010	48,158
Total prepaid expenses	\$ 15,010	\$ 149,197

KESSELRUN RESOURCES LTD.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2022 AND 2021**

(Expressed in Canadian Dollars)

(Unaudited)

**11. RECEIVABLES**

Receivables consisted of the following:

	October 31, 2022	July 31, 2022
GST receivable	\$ 128,509	\$ 232,105
Refund receivable	-	18,236
Total receivables	\$ 128,509	\$ 250,341