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**KESSELRUN RESOURCES LTD.
CONDENSED INTERIM FINANCIAL
STATEMENTS
UNAUDITED – PREPARED BY MANAGEMENT
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED
OCTOBER 31, 2020 & 2019**

**NOTICE OF NO AUDITOR REVIEW
OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2020 & 2019**

The accompanying unaudited condensed interim financial statements of Kesselrun Resources Ltd. (the “Company”) for the three months ended October 31, 2020 and 2019, 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 | October 31, 2020 | July 31, 2020 |
|---|------|---------------------|---------------------|
| ASSETS | | | |
| Current | | | |
| Cash | | \$ 336,554 | \$ 770,570 |
| Sales tax receivable | | 77,209 | 7,940 |
| Prepaid expenses | | 41,636 | 27,457 |
| Marketable securities | 5 | 746,050 | 957,825 |
| | | <u>1,201,449</u> | <u>1,763,792</u> |
| Exploration and evaluation assets | 4 | 3,286,362 | 2,722,224 |
| Total assets | | \$ 4,487,811 | \$ 4,486,016 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current | | | |
| Accounts payable | | \$ 1,250 | \$ 375 |
| Accrued liabilities | | 17,185 | 16,563 |
| Due to related parties | 8 | 571,263 | 485,936 |
| Advances payable | | 45,000 | - |
| Note payable | 8 | 101,391 | 99,374 |
| | | <u>736,089</u> | <u>602,248</u> |
| Shareholders' equity | | | |
| Share capital | 6 | 6,643,373 | 6,581,373 |
| Share-based payment reserve | 6 | 974,287 | 625,560 |
| Deficit | | (3,865,938) | (3,323,165) |
| Total shareholders' equity | | <u>3,751,722</u> | <u>3,883,768</u> |
| Total liabilities and shareholders' equity | | \$ 4,487,811 | \$ 4,486,016 |

Nature and continuance of operations (Note 1)

Approved on behalf of the Board of Directors:

Joao (John) da Costa
Director

Michael John Thompson
Director

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

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

| | Note | Three months ended October 31, | |
|---|------|-----------------------------------|---------------------|
| | | 2020 | 2019 |
| Expenses: | | | |
| Accounting and audit | 8 | \$ 6,000 | \$ 6,000 |
| Administration | 8 | 6,000 | 6,000 |
| Advertising and promotion | | 17,823 | - |
| Consulting | 8 | 33,000 | 21,000 |
| Filing fees | | 2,964 | 810 |
| Legal fees | | 1,358 | 90 |
| Management fees | 8 | 15,000 | 15,000 |
| Meals and entertainment | | 992 | 272 |
| Office expenses | | 3,528 | 925 |
| Share-based compensation | 6 | 348,727 | - |
| Travel | | 494 | 52 |
| Total expenses | | (435,866) | (50,149) |
| Other items | | | |
| Interest on notes payable | 8 | (2,017) | (1,862) |
| Gain on marketable securities | 5 | 7,905 | - |
| Unrealized loss on marketable securities | 5 | (112,775) | (145,575) |
| Loss and comprehensive loss | | \$ (542,773) | \$ (197,586) |
| Loss per share, basic and diluted | | \$ (0.01) | \$ (0.01) |
| Weighted average number of common shares outstanding | | | |
| – basic and diluted: | | 48,658,843 | 37,763,483 |

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

KESSELRUN RESOURCES LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)
(Unaudited)

| | Note | Number of Shares | Share Capital | Share-based Payment Reserve | Deficit | Total |
|---------------------------------------|------|---------------------|------------------|-----------------------------------|----------------|--------------|
| Balance, July 31, 2019 | | 37,763,483 | \$ 5,998,427 | \$ 559,846 | \$ (3,493,438) | \$ 3,064,835 |
| Net and comprehensive loss | | - | - | - | (197,586) | (197,586) |
| Balance, October 31, 2019 | | 37,763,483 | 5,998,427 | 559,846 | (3,691,024) | 2,867,249 |
| 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 | | - | - | 30,659 | - | 30,659 |
| Net and comprehensive income | | - | - | - | 367,859 | 367,859 |
| Balance, July 31, 2020 | | 48,525,148 | 6,581,373 | 625,560 | (3,323,165) | 3,883,768 |
| Shares issued on exercise of warrants | 6 | 516,666 | 62,000 | - | - | 62,000 |
| Share-based compensation | 6 | - | - | 348,727 | - | 348,727 |
| Net and comprehensive loss | | - | - | - | (542,773) | (542,773) |
| Balance, October 31, 2020 | | 49,041,814 | \$ 6,643,373 | \$ 974,287 | \$ (3,865,938) | \$ 3,751,722 |

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

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

| | Three Months Ended October 31, | |
|--|---|-------------------|
| | 2020 | 2019 |
| Cash flows used in operating activities | | |
| Loss for the period | \$ (542,773) | \$ (197,586) |
| Items not affecting cash used in operations | | |
| Accrued interest | 2,017 | 1,862 |
| Share-based compensation | 348,727 | - |
| Unrealized loss on marketable securities | 112,775 | 145,575 |
| Gain on marketable securities | (7,905) | - |
| Changes in non-cash working capital items | | |
| Sales tax receivable | (69,269) | (14,834) |
| Prepaid expenses | (14,179) | (2,013) |
| Accounts payable | 875 | - |
| Accrued liabilities | 622 | (18) |
| Net cash used in operating activities | (169,110) | (67,014) |
| Cash flows used in investing activities | | |
| Exploration and evaluation assets | (564,138) | (136,789) |
| Disposition of marketable securities | 106,905 | - |
| Net cash used in investing activities | (457,233) | (136,789) |
| Cash flows provided by financing activities | | |
| Issuance of common shares on warrant exercises | 62,000 | - |
| Advances payable | 45,000 | - |
| Due to related parties | 85,327 | 171,522 |
| Net cash provided by financing activities | 192,327 | 171,522 |
| Changes in cash | (434,016) | (32,281) |
| Cash, beginning | 770,570 | 197,131 |
| Cash, ending | \$ 336,554 | \$ 164,850 |

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



KESSELRUN RESOURCES LTD.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2020 AND 2019
(Expressed in Canadian Dollars)
(Unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

Kesselrun Resources Ltd. (the “Company”), was incorporated under the *Business Corporations Act* (British Columbia) on May 18, 2011. The Company is engaged in the acquisition, exploration, and development of mineral properties. The Company’s shares are listed on the TSX Venture Exchange (“TSX-V”) and on OTC Pink.

These interim condensed financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at October 31, 2020, 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, 2020, the Company held 1,735,000 common shares of First Mining Finance Corp. (“First Mining”) valued at \$746,050 (Note 5). The shares are free-trading and do not hold any significant restrictions; as such the Company has enough liquid assets to continue its exploration activities and support its day-to-day operations for the next 12-month period.

The Company’s head office and principal address is 278 Bay Street, Suite 102, Thunder Bay, ON P7B 1R8.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has 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 December 21, 2020, 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.

KESSELRUN RESOURCES LTD.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2020 AND 2019
(Expressed in Canadian Dollars)
(Unaudited)

3. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

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

| As at | October 31, 2020 | July 31, 2020 |
|-------------------------------|------------------|---------------|
| Financial assets: | | |
| FVTPL | | |
| Cash | \$ 336,554 | \$ 770,570 |
| Marketable securities | \$ 746,050 | \$ 957,825 |
| Financial liabilities: | | |
| Amortized costs | | |
| Accounts payable | \$ 1,250 | \$ 375 |
| Accrued liabilities | \$ 17,185 | \$ 16,563 |
| Due to related parties | \$ 571,263 | \$ 485,936 |
| Advances payable | \$ 45,000 | \$ - |
| Note payable | \$ 101,391 | \$ 99,374 |

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

| As at October 31, 2020 | Level 1 | Level 2 | Level 3 | Total |
|------------------------|--------------|---------|---------|--------------|
| Cash | \$ 336,554 | \$ - | \$ - | \$ 336,554 |
| Marketable securities | \$ 746,050 | - | - | \$ 746,050 |
| | \$ 1,082,604 | \$ - | \$ - | \$ 1,082,604 |

Accounts payable, due to related parties, advances payable, 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.

3. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)
Risk management (Continued)
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, 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, 2020, the Company had current assets of \$1,201,449 to settle current liabilities of \$736,089, 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, 2020, and July 31, 2020, the Company's interest in exploration and evaluation assets consist of the Bluffpoint Property and the Huronian Property. The costs incurred on the Company's exploration and evaluation properties are summarized as follows:

| | Bluffpoint | Huronian | Total |
|---|-------------------|-----------------|--------------|
| Acquisition costs, July 31, 2020 and October 31, 2020 | \$ 249,820 | \$ 1,084,966 | \$ 1,334,786 |
| Deferred exploration costs, July 31, 2020 | 409,733 | 977,705 | 1,387,438 |
| Additions: | | | |
| Assaying | - | 93,203 | 93,203 |
| Camp and travel | - | 48,479 | 48,479 |
| Claim maintenance | - | 80 | 80 |
| Drilling | - | 313,376 | 313,376 |
| Equipment use/rental | - | 15,004 | 15,004 |
| Geology | - | 93,996 | 93,996 |
| Deferred exploration costs, October 31, 2020 | 409,733 | 1,541,843 | 1,951,576 |
| Total exploration and evaluation assets, October 31, 2020 | \$ 659,553 | \$ 2,626,809 | \$ 3,286,362 |

4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

| | Bluffpoint | Huronian | Total |
|---|-------------------|---------------------|---------------------|
| 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 |
| Total exploration and evaluation assets, July 31, 2020 | \$ 659,553 | \$ 2,062,671 | \$ 2,722,224 |

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”).

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.

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.

5. MARKETABLE SECURITIES

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

During the three-month period ended October 31, 2020, the Company sold 200,000 FM Shares (2020 – Nil) for total cash proceeds of \$106,905 (2020 – \$Nil). The Company realized a gain of \$7,905 on sales of FM Shares (2020 – \$Nil).

At October 31, 2020, the investment in FM Shares was valued at \$746,050 (2020 - \$957,825), based on the closing market share price of \$0.43 (2020 - \$0.495). The Company records its marketable securities as FVTPL. During the three-month period ended October 31, 2020, the Company recorded a loss of \$112,775 on revaluation of its securities to their fair market value (2020 - \$145,575).

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

During the three-month period ended October 31, 2020, the Company issued 516,666 shares of its common stock for total proceeds of \$62,000. The shares were issued on exercise of warrants issued as part of July 2020 non-brokered private placement financing.

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 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.

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

| | August 11, 2020 |
|-------------------------|------------------------|
| 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 are 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.

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

| | August 26, 2020 |
|-------------------------|------------------------|
| 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 are exercisable at a price of \$0.40 per share for a period of two years expiring on October 15, 2022. The Company recognized \$61,212 as share-based compensation associated with these options.

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:

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

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:

| | January 16, 2020 |
|-------------------------|-------------------------|
| 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 three-month period ended October 31, 2020, the Company recognized \$9,018 as share-based compensation associated with these options.

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

| | October 31, 2020 |
|-------------------------|-------------------------|
| Expected life | 4.21 – 4.25 years |
| Annualized volatility | 134% |
| Risk-free interest rate | 0.34% - 0.40% |
| Dividend yield | Nil |

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

| | Three months ended October 31, 2020 | | Year ended July 31, 2020 | |
|------------------------|--|--|-------------------------------------|--|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Outstanding, beginning | 2,450,000 | \$ 0.09 | 3,245,000 | \$ 0.09 |
| Granted | 1,250,000 | \$ 0.35 | 500,000 | \$ 0.05 |
| Cancelled or expired | - | \$ n/a | (1,295,000) | \$ 0.08 |
| Outstanding, ending | 3,700,000 | \$ 0.17 | 2,450,000 | \$ 0.08 |
| Exercisable, ending | 3,675,000 | \$ 0.17 | 2,400,000 | \$ 0.09 |

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2020 AND 2019
 (Expressed in Canadian Dollars)
 (Unaudited)

6. SHARE CAPITAL (CONTINUED)
Stock options (Continued)

Stock options at October 31, 2020, are as follows:

| Exercise price | Expiry date | Remaining life (years) | Number of options outstanding | Number of options exercisable |
|----------------|-------------------|---------------------------|----------------------------------|----------------------------------|
| \$0.06 | April 13, 2021 | 0.45 | 300,000 | 300,000 |
| \$0.10 | December 21, 2022 | 2.14 | 1,650,000 | 1,650,000 |
| \$0.05 | January 16, 2025 | 4.21 | 500,000 | 475,000 |
| \$0.30 | August 10, 2025 | 4.78 | 650,000 | 650,000 |
| \$0.40 | August 26, 2022 | 2.70 | 350,000 | 350,000 |
| \$0.40 | October 15, 2022 | 1.96 | 250,000 | 250,000 |
| \$0.17 | | 2.70 | 3,700,000 | 3,675,000 |

At October 31, 2020, the outstanding sock options had an exercise price of \$0.17 and their remaining contractual life was 2.70 years. Subsequent to October 31, 2020, the Company cancelled 1,000,000 stock options it granted to a consultant.

Share-purchase warrants

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

| | Three months ended October 31, 2020 | Year ended July 31, 2020 |
|------------------------|--|-----------------------------|
| | Number of warrants | Number of warrants |
| Outstanding, beginning | 5,842,483 | - |
| Issued | - | 5,842,483 |
| Exercised | (516,666) | - |
| Outstanding, ending | 5,325,817 | 5,842,483 |

At October 31, 2020, the outstanding share-purchase warrants had an exercise price of \$0.12 and their remaining contractual life was 0.69 years.

7. COMMITMENT

On July 10, 2020, the Company completed a private placement of flow-through units for gross proceeds of \$645,700. The Company is required to spend the funds on qualified exploration programs no later than December 31, 2021. The Company will renounce the expenditures and available income tax benefits to the flow-through shareholders effective December 31, 2020. As at October 31, 2020, the Company had used all flow-through funds, being \$645,700, on qualified exploration expenses, of which \$546,561 were spent during the three-month period ended October 31, 2020.



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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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8. 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, | |
|--|---------------------------------------|-------------|
| | 2020 | 2019 |
| Exploration and evaluation expenditures incurred to a private company controlled by certain directors and officers of the Company (Note 4) | \$ 564,058 | \$ 136,789 |
| Accounting, consulting, and administrative fees incurred to a private company controlled by an officer of the Company | \$ 18,000 | \$ 18,000 |
| Management fees incurred to a private company controlled by an officer of the Company | \$ 15,000 | \$ 15,000 |
| Share-based compensation on options granted to certain directors and an officer of the Company | \$ 69,084 | \$ nil |

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, 2020, the balance payable to related parties was \$571,263 (2020 - \$485,936).

At October 31, 2020, the Company was indebted to Fladgate Exploration Consulting Corporation (“Fladgate”), a private company controlled by certain directors and officers of the Company, in the amount of \$101,391 (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 three-month period ended October 31, 2020, the Company recorded interest expense of \$2,017 (2020 - \$1,862).

9. SUBSEQUENT EVENT

On December 7, 2020, the Company closed a brokered private placement for total gross proceeds of \$5,999,969 (the “Offering”). As part of the Offering, the Company sold 9,920,501 units of the Company (the “Units”) at a price of \$0.22 per Unit for gross proceeds of \$2,182,510; 6,244,000 flow-through common shares of the Company (the “FT Shares”) at a price of \$0.25 per FT Share for gross proceeds of \$1,561,000; and 7,398,227 flow-through units of the Company (the “FT Units”), which were sold to charitable flow-through purchasers, at a price of \$0.305 per FT Unit for gross proceeds of \$2,256,459.

Each Unit is comprised of one common share in the capital of the Company (each a “Common Share”) and one half of one Common Share purchase warrant (each whole warrant, a “Warrant”). Each FT Unit is comprised of one FT Share and one half of one Warrant. Each whole Warrant shall be exercisable into one Common Share at a price of \$0.33 at any time on or before December 7, 2022.

In connection with the Offering, Red Cloud Securities Inc. (“Red Cloud”), which acted as sole agent and bookrunner under the Offering, received a cash commission of \$389,128 and 1,512,891 non-transferable agent warrants, each entitling the 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.