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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, 2022 & 2021**

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

The accompanying unaudited condensed interim financial statements of Kesselrun Resources Ltd. (the “Company”) for the three and six months ended January 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.**  
**STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)  
(Unaudited)



	Note	January 31, 2022	July 31, 2021
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 3,943,320	\$ 3,082,969
Sales tax receivable		114,819	128,133
Prepaid expenses	9	150,633	53,603
Marketable securities	5	528,925	739,167
		4,737,697	4,003,872
Exploration and evaluation assets	4	6,774,565	5,585,113
<b>Total assets</b>		<b>\$ 11,512,262</b>	<b>\$ 9,588,985</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable		\$ 7,464	\$ 2,750
Accrued liabilities		21,205	18,026
Due to related parties	9	33,960	273,932
Note payable	9	112,036	107,622
Flow-through share premium liability	8	848,002	423,247
		1,022,667	825,577
<b>Shareholders' equity</b>			
Share capital	6	12,014,772	10,472,942
Share-based payment reserve	6	2,851,364	2,322,349
Deficit		(4,376,541)	(4,031,883)
Total shareholders' equity		10,489,595	8,763,408
<b>Total liabilities and shareholders' equity</b>		<b>\$ 11,512,262</b>	<b>\$ 9,588,985</b>

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 January 31,		Six months ended January 31,	
		2022	2021	2022	2021
<b>Expenses:</b>					
Accounting and audit	9	\$ 12,000	\$ 13,665	\$ 24,000	\$ 19,665
Administration	9	12,000	12,000	24,000	18,000
Advertising and promotion		88,120	57,407	204,199	75,230
Consulting	9	43,500	53,500	57,000	86,500
Filing fees		10,470	20,606	13,646	23,570
Legal fees		3,464	63,205	3,859	64,563
Management fees	9	37,500	37,500	75,000	52,500
Meals and entertainment		160	-	160	992
Office expenses		4,375	4,650	6,023	8,178
Project investigation costs		3,191	-	3,191	-
Share-based compensation	6,9	50,411	146,616	50,411	495,343
Travel		-	-	-	494
<b>Total expenses</b>		<b>(265,191)</b>	<b>(409,149)</b>	<b>(461,489)</b>	<b>(845,035)</b>
<b>Other items</b>					
Interest on notes payable	9	(2,229)	(2,059)	(4,414)	(4,076)
Settlement of flow-through share premium liabilities	8	124,781	29,553	331,487	29,553
Gain on marketable securities	5	-	-	-	7,905
Unrealized loss on marketable securities	5	(45,120)	(60,725)	(210,242)	(173,500)
<b>Loss and comprehensive loss</b>		<b>\$ (187,759)</b>	<b>\$ (442,380)</b>	<b>\$ (344,658)</b>	<b>\$ (985,153)</b>
<b>Loss per share, basic and diluted</b>		<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.00)</b>	<b>\$ (0.02)</b>
<b>Weighted average number of common shares outstanding – basic and diluted:</b>		<b>87,107,964</b>	<b>56,503,089</b>	<b>82,444,160</b>	<b>56,311,604</b>

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



	Notes	Number of Shares	Share Capital	Share-based Payment Reserve	Deficit	Total
<b>Balance, July 31, 2020</b>		48,525,148	\$ 6,581,373	\$ 625,560	\$ (3,323,165)	\$ 3,883,768
Private placements		23,562,728	5,826,782	173,187	-	5,999,969
Flow-through share premium liability		-	(878,609)	-	-	(878,609)
Share issuance costs - cash		-	(491,347)	-	-	(491,347)
Share issuance costs - warrants		-	(177,026)	177,026	-	-
Shares issued on exercise of warrants		1,564,657	190,138	(2,379)	-	187,759
Share-based compensation		-	-	495,343	-	495,343
Net and comprehensive loss		-	-	-	(985,153)	(985,153)
<b>Balance, January 31, 2021</b>		73,652,533	\$ 11,051,311	\$ 1,468,737	\$ (4,308,318)	\$ 8,211,730
<b>Balance, July 31, 2021</b>		77,780,356	\$ 10,472,942	\$ 2,322,349	\$ (4,031,883)	\$ 8,763,408
Private placements	6	15,891,481	2,583,762	416,238	-	3,000,000
Flow-through share premium liability	8	-	(756,242)	-	-	(756,242)
Share issuance costs - cash	6	-	(223,324)	-	-	(223,324)
Share issuance costs - warrants	6	-	(62,366)	62,366	-	-
Share-based compensation	6,9	-	-	50,411	-	50,411
Net and comprehensive loss		-	-	-	(344,658)	(344,658)
<b>Balance, January 31, 2022</b>		93,671,837	\$ 12,014,772	\$ 2,851,364	\$ (4,376,541)	\$ 10,489,595

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



	<b>Six Months Ended January 31,</b>	
	<b>2022</b>	<b>2021</b>
Cash flows used in operating activities		
Loss for the period	\$ (344,658)	\$ (985,153)
Items not affecting cash used in operations		
Accrued interest	4,414	4,076
Share-based compensation	50,411	495,343
Unrealized loss on marketable securities	210,242	173,500
Gain on marketable securities	-	(7,905)
Other income on settlement of flow-through share premium	(331,487)	(29,553)
Changes in non-cash working capital items		
Sales tax receivable	13,314	(43,019)
Prepaid expenses	(97,030)	(90,715)
Accounts payable	4,714	23,248
Accrued liabilities	3,179	(15,575)
Net cash used in operating activities	(486,901)	(475,753)
Cash flows used in investing activities		
Exploration and evaluation assets	(1,189,452)	(750,845)
Disposition of marketable securities	-	106,905
Net cash used in investing activities	(1,189,452)	(643,940)
Cash flows provided by financing activities		
Issuance of common shares for cash	3,000,000	5,999,969
Share issuance costs	(223,324)	(491,347)
Issuance of common shares on warrant exercises	-	187,759
Due to related parties	(239,972)	(308,985)
Net cash provided by financing activities	2,536,704	5,387,396
Changes in cash	860,351	4,267,703
Cash, beginning	3,082,969	770,570
Cash, ending	\$ 3,943,320	\$ 5,038,273

## **KESSELRUN RESOURCES LTD.**

### **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2022 AND 2021**

(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 January 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 January 31, 2022, the Company had \$3,943,320 cash and held 1,735,000 common shares of First Mining Finance Corp. (“First Mining”) valued at \$485,800, and 57,886 shares and 28,943 warrants of Treasury Metals Inc. (“Treasury Metals”) valued at \$43,125 (Note 5). The shares and warrants are free-trading and do not hold any significant restrictions; as such the Company has enough liquid assets to continue its exploration activities and 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 March 31, 2022, 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, 2021.

##### **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.

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

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**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**

As at	January 31, 2022	July 31, 2021
<b>Financial assets:</b>		
FVTPL		
Cash	\$ 3,943,320	\$ 3,082,969
Marketable securities	\$ 528,925	\$ 739,167
<b>Financial liabilities:</b>		
Amortized costs		
Accounts payable	\$ 7,464	\$ 2,750
Accrued liabilities	\$ 21,205	\$ 18,026
Due to related parties	\$ 33,960	\$ 273,932
Note payable	\$ 112,036	\$ 107,622

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

As at January 31, 2022	Level 1	Level 2	Level 3	Total
Cash	\$ 3,943,320	\$ -	\$ -	\$ 3,943,320
Marketable securities	528,925	-	-	528,925
	\$ 4,472,245	\$ -	\$ -	\$ 4,472,245

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.



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

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**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. 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.

*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 January 31, 2022, the Company had current assets of \$4,737,697 to settle current liabilities of \$1,022,667, which had contractual maturities of less than 30 days and were subject to normal trade terms.

**4. EXPLORATION AND EVALUATION ASSETS**

As of January 31, 2022, and July 31, 2021, 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:

<b>Exploration and Evaluation Assets as at January 31, 2022</b>	<b>Bluffpoint</b>	<b>Huronian</b>	<b>Total</b>
Acquisition costs, January 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	-	65,147	65,147
Camp and travel	-	177,328	177,328
Drilling	-	543,362	543,362
Equipment use/rental	-	87,130	87,130
Geology	-	316,485	316,485
Deferred exploration costs, January 31, 2022	409,733	5,030,046	5,439,779
<b>Total exploration and evaluation assets, January 31, 2022</b>	<b>\$ 659,553</b>	<b>\$ 6,115,012</b>	<b>\$ 6,774,565</b>

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

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

<b>Exploration and Evaluation Assets as at July 31, 2021</b>	<b>Bluffpoint</b>	<b>Huronian</b>	<b>Total</b>
Acquisition costs, July 31, 2021 and 2020	\$ 249,820	\$ 1,084,966	\$ 1,334,786
Deferred exploration costs, July 31, 2020	409,733	977,705	1,387,438
Additions:			
Assaying	-	248,924	248,924
Camp and travel	-	210,814	210,814
Claim maintenance	-	80	80
Drilling	-	1,673,324	1,673,324
Equipment use/rental	-	138,833	138,833
Geology	-	590,914	590,914
Deferred exploration costs, July 31, 2021	409,733	3,840,594	4,250,327
<b>Total exploration and evaluation assets, July 31, 2021</b>	<b>\$ 659,553</b>	<b>\$ 4,925,560</b>	<b>\$ 5,585,113</b>

**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. In consideration for the purchase, the Company paid \$20,000 cash and issued 200,000 shares of its common stock for a total fair value of \$24,000. 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- and six-month periods ended January 31, 2022, the Company did not sell any of its marketable securities. During the comparative three-month period ended January 31, 2021, the Company did not sell any of its marketable securities. During the six-month period ended January 31, 2021, the Company sold 200,000 FM Shares for total cash proceeds of \$106,905. The Company realized a gain of \$7,905 on sale of FM Shares.

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

(Expressed in Canadian Dollars)

(Unaudited)

**5. MARKETABLE SECURITIES (CONTINUED)**

At January 31, 2022, the investment in FM Shares was valued at \$485,800 (July 31, 2021 - \$676,650), and investment in Treasury Metals shares and Treasury Metals warrants was valued at \$43,125 (July 31, 2021 - \$62,517). The Company records its marketable securities as FVTPL. During the three-month period ended January 31, 2022, the Company recorded a loss of \$45,119 on revaluation of its marketable securities to their fair market value (January 31, 2021 - \$60,725). During the six-month period ended January 31, 2022, the Company recorded a loss of \$210,242 on revaluation of its marketable securities to their fair market value (January 31, 2021 - \$173,500).

As of the date of the filing of these financial statements, the market price of the FM Shares has decreased to \$0.275 per FF Share, representing a 1.8% decrease from the share price quoted as at January 31, 2022; the market price of the Treasury Metals Shares has decreased to \$0.68 per TML Share, representing a 1.4% decline from the share price quoted as at January 31, 2022; and the market price of the Treasury Metals warrants has increased to \$0.135 per TML Warrant, representing a 22.7% increase from the share price quoted as at January 31, 2022.

**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 8, 2021, the Company closed a non-brokered private placement (the “December 2021 Financing”) for gross proceeds of \$3,000,000 from the sale of 9,634,597 flow-through units of the Company (the “FT Units”) at a price of \$0.175 per FT Unit and 6,256,884 FT Units sold to charitable purchasers (the “Charity FT Units”) at a price of \$0.21 per Charity FT Unit.

Each FT Unit and Charity FT Unit was comprised of one common share of the Company issued as a “flow-through share” within the meaning of the Income Tax Act (Canada) (each, an “FT Share”) and one half of one common share purchase warrant (each full warrant, a “Warrant”). Each Warrant is exercisable into one non-flow-through common share of the Company (each, a “Warrant Share”) at a price of \$0.23 at any time on or before December 8, 2023. The FT Shares and Warrant Shares are subject to a hold period ending on April 9, 2022, in accordance with applicable securities laws. The Warrants issued as part of the FT Units and Charity FT Units were valued at \$756,242.

In connection with the December 2021 Financing, the Company paid cash finders’ fees totaling \$198,240 and recorded \$25,084 as cash share issuance costs associated with legal and regulatory fees. In addition, the Company issued 1,056,404 warrants (each, a “Finder’s Warrant”) exercisable into one common share of the Company at a price of \$0.175 at any time on or before December 8, 2023. The Finder’s Warrants were valued at \$62,366.

The fair value of the Warrants issued as part of the FT Units and Charity FT Units, as well as Finder’s Warrants was estimated using the Black-Scholes Option pricing model using the following assumptions:

	<b>December 8, 2021</b>
Expected life	2 years
Annualized volatility	118%
Risk-free interest rate	1.07%
Dividend yield	Nil

**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 INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2022 AND 2021**

(Expressed in Canadian Dollars)

(Unaudited)

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

On December 21, 2021, the Company granted 600,000 incentive stock options to its directors, officers, and consultants. The stock options vested immediately and are exercisable at a price of \$0.25 per share for a period of five years expiring on December 21, 2026. The Company recognized \$50,411 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>December 21, 2021</b>
Expected life	5 years
Annualized volatility	124%
Risk-free interest rate	1.29%
Dividend yield	Nil

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

	<b>Six months ended January 31, 2022</b>		<b>Year ended July 31, 2021</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	4,000,000	\$ 0.25	2,450,000	\$ 0.08
Granted	600,000	\$ 0.25	3,050,000	\$ 0.38
Cancelled or expired	-	\$ n/a	(1,500,000)	\$ 0.24
Outstanding and exercisable, ending	4,600,000	\$ 0.25	4,000,000	\$ 0.25

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

<b>Exercise price</b>	<b>Expiry date</b>	<b>Remaining life (years)</b>	<b>Number of options outstanding</b>
\$0.10	December 21, 2022	0.89	1,350,000
\$0.05	January 16, 2025	2.96	400,000
\$0.30	August 10, 2025	3.53	450,000
\$0.40	January 6, 2026	3.93	1,000,000
\$0.40	July 14, 2026	4.45	800,000
\$0.25	December 21, 2026	4.89	600,000
\$0.25		3.13	4,600,000

**Share-purchase warrants**

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

	<b>Six months ended January 31, 2022</b>	<b>Year ended July 31, 2021</b>
	<b>Number of warrants</b>	<b>Number of warrants</b>
Outstanding, beginning	11,012,701	5,842,480
Issued	9,002,146	11,012,701
Exercised	-	(5,692,480)
Expired	-	(150,000)
Outstanding, ending	20,014,847	11,012,701

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

(Expressed in Canadian Dollars)

(Unaudited)

**6. SHARE CAPITAL (CONTINUED)****Share-purchase warrants (Continued)**

At January 31, 2022, the outstanding share-purchase warrants had a weighted-average exercise price of \$0.27 and their remaining contractual life was 1.30 years.

Included in 20,014,847 warrants outstanding as at January 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 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.

Also included in 20,014,847 warrants outstanding as at January 31, 2022, are 1,056,404 non-transferable Finder's Warrants the Company issued in connection with the December 2021 Financing. The Finder's Warrants are exercisable into one common share of the Company at a price of \$0.175 at any time on or before December 8, 2023.

**7. COMMITMENT**

On December 7, 2020, the Company completed the December 2020 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.

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.

As at January 31, 2022, the Company had used a total of \$3,488,203 (July 31, 2021 - \$2,298,751) on qualified exploration expenses.

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

<b>Balance, July 31, 2020</b>	\$ -
December 2020 Financing, share premium liability on flow-through shares	530,740
December 2020 Financing, share premium liability on flow-through units	628,849
Reversal recognized upon expenditures being incurred	(736,342)
<b>Balance, July 31, 2021</b>	<b>423,247</b>
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	(331,487)
<b>Balance, January 31, 2022</b>	<b>\$ 848,002</b>

On December 7, 2020, the Company closed its December 2020 Financing issuing 6,244,000 flow-through Common Shares at a price of \$0.25 per Flow-through Share for gross proceeds of \$1,561,000, and 7,398,227 Flow-through Units at a price of \$0.305 per Flow-through Unit for gross proceeds of \$2,256,459. The premium received on the Flow-through shares and Flow-through Units issued was determined to be \$1,159,589 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.

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

(Expressed in Canadian Dollars)

(Unaudited)

**8. FLOW-THROUGH SHARE PREMIUM LIABILITY (CONTINUED)**

On December 8, 2021, the Company closed its December 2021 Financing issuing 9,634,597 FT Units at a price of \$0.175 per FT Units for gross proceeds of \$1,686,054, and 6,256, 884 Charity FT Units at a price of \$0.21 per Charity FT Unit for gross proceeds of \$1,313,946. The premium received on the FT Units and Charity FT Units issued was determined to be \$756,242 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 six-month period ended January 31, 2022, the Company recorded \$331,487 in income from the flow-through share premium as a result of qualified exploration expenditures being met (January 31, 2021 – \$29,553).

**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>Six months ended January 31,</b>	
	<b>2022</b>	<b>2021</b>
Exploration and evaluation expenditures incurred to a private company controlled by certain directors and officers of the Company (Note 4)	\$ 1,189,452	\$ 750,765
Accounting, consulting, and administrative fees incurred to a private company controlled by an officer of the Company	\$ 75,000	\$ 55,000
Management fees incurred to a private company controlled by an officer of the Company	\$ 75,000	\$ 52,500
Share-based compensation on options granted to certain directors and officers of the Company	\$ 37,809	\$ 217,175

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 January 31, 2022, the balance payable to related parties was \$33,960 (July 31, 2021 - \$273,932).

As at January 31, 2022, the prepaid expenses included \$43,333 (July 31, 2021 - \$Nil) for future exploration and evaluation services the Company paid to Fladgate Exploration Consulting Corporation (“Fladgate”), a private company controlled by certain directors and officers of the Company.

In addition, the Company was indebted to Fladgate in the amount of \$112,036 (July 31, 2021 - \$107,622) under the loan payable. The loan bears interest at 8% per annum compounded monthly, is unsecured and due on demand. During the six-month period ended January 31, 2022, the Company recorded interest expense of \$4,414 (January 31, 2021 - \$4,076).