

KERMODE RESOURCES LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Unaudited - Expressed in Canadian Dollars)

FOR THE NINE MONTH PERIOD ENDED JULY 31, 2019

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed interim financial statements of the Company 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 financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

KERMODE RESOURCES LTD.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)
AS AT

	July 31, 2019	October 31, 2018
ASSETS		
Current		
Cash	\$ 53,401	\$ 33,322
Receivables	34,326	38,533
Advances receivable (Note 4)	-	17,644
Marketable securities (Note 5)	<u>-</u>	<u>17,448</u>
	87,727	106,947
Exploration and evaluation assets (Note 6)	<u>-</u>	<u>-</u>
	<u>\$ 87,727</u>	<u>\$ 106,947</u>

LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)

Current		
Accounts payable and accrued liabilities	\$ 342,306	\$ 252,968
Shareholders' Equity (Deficiency)		
Share capital (Note 8)	9,185,432	9,185,432
Deficit	<u>(9,440,011)</u>	<u>(9,331,453)</u>
	<u>(254,579)</u>	<u>(146,021)</u>
	<u>\$ 87,727</u>	<u>\$ 106,947</u>

Nature and continuance of operations (Note 1)

Approved and authorized by the Board on September 30, 2019.

"Donald G. Moore"

Director

"D. Neil Briggs"

Director

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

KERMODE RESOURCES LTD.
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian Dollars)
FOR THE

	Nine Month Period Ended July 31, 2019	Nine Month Period Ended July 31, 2018	Three Month Period Ended July 31, 2019	Three Month Period Ended July 31, 2018
GENERAL AND ADMINISTRATIVE EXPENSES				
Investor relations	\$ 5,000	\$ -	\$ -	\$ -
Management fee	60,000	-	60,000	-
Office and sundry	4,467	15,141	720	2,942
Professional fees	27,621	9,922	5,250	6,000
Rent	2,906	-	-	-
Shareholder communications	630	630	270	220
Transfer agent and filing fees	4,515	16,326	712	1,550
	<u>(105,139)</u>	<u>(42,019)</u>	<u>(66,952)</u>	<u>(10,712)</u>
OTHER ITEMS				
Loss on disposal of marketable securities	<u>(3,419)</u>	<u>(45,158)</u>	<u>-</u>	<u>(45,158)</u>
Loss and comprehensive loss for the period	<u>(108,558)</u>	<u>(87,177)</u>	<u>(66,952)</u>	<u>(55,870)</u>
Basic and diluted loss per common share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ 0.01</u>	<u>\$ 0.01</u>
Weighted average number of common shares outstanding	<u>65,397,373</u>	<u>65,397,373</u>	<u>65,397,373</u>	<u>65,397,373</u>

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

KERMODE RESOURCES LTD.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)
FOR THE NINE MONTH PERIOD ENDED JULY 31

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (108,558)	\$ (87,177)
Items not affecting cash:		
Loss on disposal of marketable securities	3,419	47,918
Changes in non-cash working capital items:		
Receivables	4,207	(4,519)
Accounts payable and accrued liabilities	<u>89,338</u>	<u>(85,936)</u>
Net cash used in operating activities	<u>(11,594)</u>	<u>(129,714)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	-	50,000
Receipt on marketable securities disposal	14,029	128,500
Receipt (payment) on advances receivable, net	<u>17,644</u>	<u>(10,093)</u>
Net cash provided by/(used in) investing activities	<u>31,673</u>	<u>168,407</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares	-	-
Subscription receivable	-	-
Share issuance costs	<u>-</u>	<u>-</u>
Net cash provided by financing activities	<u>-</u>	<u>-</u>
Change in cash for the period	20,079	38,693
Cash, beginning of period	<u>33,322</u>	<u>40</u>
Cash, end of period	<u>\$ 53,401</u>	<u>\$ 38,733</u>
Cash paid for interest during the period	<u>\$ -</u>	<u>\$ -</u>
Cash paid for income tax during the period	<u>\$ -</u>	<u>\$ -</u>

Supplemental disclosures with respect to cash flows (Note 7)

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

KERMODE RESOURCES LTD.
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited - Expressed in Canadian Dollars)

	<u>Share Capital</u>				
	<u>Number</u>	<u>Amount</u>	<u>Reserves</u>	<u>Deficit</u>	<u>Total</u>
Balance at October 31, 2017	65,397,373	\$ 9,185,432	\$ -	\$ (8,969,839)	\$ 215,593
Loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(87,177)</u>	<u>(87,177)</u>
Balance at July 31, 2018	65,397,373	\$ 9,185,432	\$ -	\$ (9,057,016)	\$ 128,416
Loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(274,437)</u>	<u>(274,437)</u>
Balance at October 31, 2018	65,397,373	\$ 9,185,432	\$ -	\$ (9,331,453)	\$ (146,021)
Loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(108,558)</u>	<u>(108,558)</u>
Balance at July 31, 2019	65,397,373	\$ 9,185,432	\$ -	\$ (9,440,011)	\$ (254,579)

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

KERMODE RESOURCES LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian Dollars)
FOR THE NINE MONTH PERIOD ENDED JULY 31, 2019

1. NATURE AND CONTINUANCE OF OPERATIONS

Kermode Resources Ltd. (the "Company") was incorporated under the laws of the Province of Alberta and was subsequently continued into British Columbia. The Company has one reportable segment consisting of the acquisition and exploration of minerals property interests in Canada. The Company has not yet determined whether its exploration and evaluation assets contain economic ore reserves.

The Company's registered and records office is 2900-595 Burrard Street, Vancouver, British Columbia, Canada.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred ongoing losses. A number of alternatives including, but not limited to completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Presentation

These condensed interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's October 31, 2018 annual financial statements.

KERMODE RESOURCES LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian Dollars)
FOR THE NINE MONTH PERIOD ENDED JULY 31, 2019

2. BASIS OF PREPARATION (cont'd...)

New standards not yet adopted

The following new standards, amendments to standards and interpretations have been issued but are not effective during the nine month period ended July 31, 2019:

- IFRS 9 New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets⁽ⁱ⁾
- IFRS 15 New revenue standard that establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer⁽ⁱ⁾
- IFRS 16 New leases standard was issued in January 2016 with the objective to recognize all leases on the statement of financial position. IFRS 16 requires lessees to recognize a “right of use” asset and a lease liability calculated using a prescribed methodology. The Company is currently evaluating the effect the standard will have on its financial statements⁽ⁱⁱ⁾

(i) Effective for annual periods beginning on or after January 1, 2018

(ii) Effective for annual periods beginning on or after January 1, 2019

The Company anticipates that the application of these standards, amendments and interpretations will not have a material impact on the results and financial position of the Company.

3. ADVANCES

	July 31, 2019	October 31, 2018
Balance, beginning of year/period	\$ 17,644	\$ (28,743)
Advances (received) paid	11,420	153,950
Repayments and expenses incurred on behalf of the Company	<u>(29,064)</u>	<u>(107,563)</u>
Balance, end of year/period	\$ Nil	\$ 17,644

The Company advances funds to a management company, owned by a spouse of a director, by way of a loan agreement. The management company incurs administration expenditures and settles certain exploration expenditures on behalf of the Company. The maximum amount extendible under the loan is \$250,000 and the balance is non-interest bearing. The Company treats these transactions as advances between the Company and management company.

4. MARKETABLE SECURITIES

The Company has received 1,113,218 common shares (valued at \$501,000) in Anaconda Mining Inc. “ANX”. As of October 31, 2018, the Company has disposed of 1,042,000 shares for proceeds of \$293,671 and a total realized loss of \$175,280. As of October 31, 2018 the Company had 71,218 shares remaining in ANX valued at \$17,448 with an unrealized loss of \$14,603. During the nine month period ended July 31, 2019 the Company has disposed of the remaining balance of 71,218 shares for proceeds of \$13,992 with a realized loss of \$3,419.

KERMODE RESOURCES LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian Dollars)
FOR THE NINE MONTH PERIOD ENDED JULY 31, 2019

5. EXPLORATION AND EVALUATION ASSETS

	Jackson's Arm
Acquisition costs:	
Balance, at October 31, 2017	\$ 551,000
Mineral property recovery	<u>(551,000)</u>
Balance, at October 31, 2018 and July 31, 2019	\$ -

Title to mineral properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

Eastgate Gold

The Company entered into a Mineral Property Option and Joint Venture Agreement with Blue Ridge Gold LLC, (a private Nevada company)("Blue Ridge"). The Eastgate Gold property is comprised of mineral claims located northeast of the Rawhide Mine, and east of Fallon in Churchill, County, Nevada. The Company may acquire up to a 100% interest in the property. As at October 31, 2014, the Company held a 30% interest pursuant to the terms of the agreement.

Blue Ridge will retain a 3% NSR royalty, which the Company can buy down to 2% for \$1,000,000.

During the year ended October 31, 2015, the Company entered into an agreement to sell part of its interest in its Nevada Eastgate gold project to Eros Resources Corp. ("Eros").

Under the terms of the agreement, Eros purchased one-half of the Company's 30% interest in the property for \$300,500 (US\$250,000) and has the right to participate with the Company in the underlying agreement that the Company has with Blue Ridge.

The Company received \$300,500 (USD\$250,000) during the year ended October 31, 2015 for the sale of the initial 15% interest in the property. Consequently the Company's remaining 15% interest was written down to \$300,500 during the year ended October 31, 2015. Due to delay in exploration work, the property has been written off during the year ended October 31, 2016.

The following payments are required to earn further 15% incremental interests:

- \$200,000 by May 15, 2015 for an aggregate 45% interest (paid by Eros)
- \$200,000 by May 15, 2016 for an aggregate 60% interest (paid by Eros)

Once the Company and Eros have earned a joint 75% interest, Blue Ridge shall elect to either (a) enter into a joint venture with the Company and maintain a 25% interest in the Property; or (b) grant the Company the option to acquire the remaining 25% interest in the property through the payment of \$200,000 or 200,000 shares of the Company (at Blue Ridge's election) for each additional 5% interest, exercisable over 5 years.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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5. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Eastgate Gold (cont'd...)

Either the Company or Eros may elect not to complete its share of the purchases and the other party may complete the purchases entirely for its own account or may also elect not to complete its share in which case they will enter into a joint venture and joint venture agreement with each other and Blue Ridge pursuant to and as contemplated by the Blue Ridge agreement.

As of October 31, 2017 the Company elected to enter into a joint venture with Blue Ridge with Eros holding a 45% interest, the Company holds a 15% interest and Blue Ridge holds the remaining 40% interest in the Property subject to the Blue Ridge agreement with the Company.

Jackson's Arm, Newfoundland

The Company holds a 100% interest in certain mineral claims, located in Newfoundland. During the three month period ended January 31, 2018, the Company sold its 100% to Anaconda Mining Inc. (ANX) resulting in a reversal of previous impairments to reflect the fair value received upon sale of \$551,000 in the statements of the income (loss) during the year end October 31, 2017. The Company has received from ANX the first payment of \$25,000 and 1,113,218 common shares (received valued at \$501,000). During the nine month period ended July 31, 2018 the Company has received the 2nd payment of \$25,000.

6. RELATED PARTY TRANSACTIONS

During the nine month period ended July 31, 2019, the Company entered into the following transactions with related parties not disclosed elsewhere in the financial statements:

- a) Paid or accrued \$2,500 (2018 - \$Nil) for professional fees to an officer of the Company.
- b) Paid or accrued \$2,500 (2018 - \$Nil) for consulting included in office and sundry to an officer of the Company,

The balance receivable as at July 31, 2019 is \$Nil (October 31, 2018 - \$17,644) from a company owned by a spouse of a director and balance receivable as at July 31, 2019 is \$200 (October 31, 2018 - \$34,981) from a company with common directors.

The key management personnel of the Company are the Directors, Chief Executive Officer, and the Chief Financial Officer. Compensation of the Company's key management personnel is comprised of the following:

	July 31, 2019	October 31, 2018
Professional Fees	\$ 2,500	\$ 12,500
Total Expense	\$ 2,500	\$ 12,500

As at July 31, 2019, the Company owes \$135,400 (October 31, 2018 - \$75,400) in accounts payable and accrued liabilities to various related parties.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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FOR THE NINE MONTH PERIOD ENDED JULY 31, 2019

7. SHARE CAPITAL AND RESERVES

Authorized share capital

As at July 31, 2019, the authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares, consisting only of common shares are fully paid.

Issued share capital

As at July 31, 2019, the Company had 65,397,373 common shares issued and outstanding.

Stock options

During the year ended October 31, 2012, the Company adopted a 10% rolling stock option plan whereby the Company can reserve approximately 10% of its outstanding shares for issuance to officers and directors, employees and consultants. Under the plan, the exercise price of each option shall be equal or greater than the closing market price of the Company's stock on the day prior to the date of grant. These options are subject to approval from the TSX Venture Exchange ("TSX-V"), can be granted for a maximum term of 10 years, and vest at the discretion of the Board of Directors.

As at April 30, 2019, there were no incentive stock options and warrants outstanding.

8. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

There were no significant non-cash transactions during nine month period ended July 31, 2019.

The significant non-cash transactions during nine month period ended July 31, 2018 included the Company received 1,113,218 common shares valued at \$501,000 that wrote down Jackson's Arm property and increase to marketable securities.

9. FINANCIAL AND CAPITAL RISK MANAGEMENT

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 of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;
and

Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's advances receivable and payable, and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these instruments. The Company's cash and marketable securities are measured at fair value using Level 1 inputs.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to advances receivable. Management believes that historically the

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian Dollars)
FOR THE NINE MONTH PERIOD ENDED JULY 31, 2019

9. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)

Credit risk (cont'd...)

credit risk concentration with respect to financial instruments included in advances receivable is remote. The credit risk from the advances receivable is addressed with the security and guarantee.

Liquidity risk

The Company's approach to managing liquidity risk is addressed in Note 1. As at July 31, 2019, the Company had a cash balance of \$53,401 (October 31, 2018 - \$33,322) available to settle current liabilities of \$342,306 (October 31, 2018 - \$252,968). All of the Company's financial liabilities are subject to normal trade terms.

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 commodity and equity prices. These fluctuations may be significant.

a) Interest rate risk

The Company has cash balances held with financial institutions. The Company's current policy is to invest excess cash in short-term treasury bills issued by the Government of Canada and its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

b) Foreign currency risk

The Company does not have any balances denominated in a foreign currency and believes it has no significant foreign currency risk.

c) Price risk

The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of development of the Company's mineral properties. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as shareholders' deficiency.

The property in which the Company currently has an interest is in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. Current financial markets are very difficult and there is no certainty with respect to the Company's ability to raise capital. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.