



**FORM 51-102F1**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED OCTOBER 31, 2018**

## Introduction

This management's discussion and analysis (MD&A) of Kermode Resources Ltd. is the responsibility of management and covers the year ended October 31, 2018. The MD&A takes into account information available up to and including February 28, 2019 and should be read together with the audited financial statements and notes for the year ended October 31, 2018, and the audited financial statements, notes and MD&A for the years ended October 31, 2017 and October 31, 2016 all of which are available on the Sedar website at [www.sedar.com](http://www.sedar.com).

Throughout this document the terms *we*, *us*, *our*, *the Company* and *Kermode* refer to Kermode Resources Ltd. All financial information in this document is prepared in accordance with International financial reporting standards (IFRS) and presented in Canadian dollars unless otherwise indicated.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.kermode.com](http://www.kermode.com).

## Forward-Looking Statements

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Forward-looking information includes disclosure regarding possible or anticipated events, conditions or results of operations which are based on assumptions about future economic conditions and courses of action, and includes future oriented financial information with respect to prospective results of operations or financial position or cash flow that is presented either as a forecast or a projection. Forward-looking information is often, but not always, identified by the use of words such as seek, anticipate, believe, plan, estimate, expect and intend; statements that an event or result is due on or may, will, should, could, or might occur or be achieved; and other similar expressions.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.kermode.com](http://www.kermode.com).

## Description of Business

The Company's main business is the acquisition, exploration and development of natural resource properties. The Company has entered into an option agreement to earn up to a 100% interest in a gold-silver property located in Churchill County, Nevada.

The Company trades on the TSX Venture exchange under the Symbol "KLM".

## Performance Summary

During the year ended October 31, 2018 the Company announced the completion of a transaction to sell the Company's Jackson's Arm gold deposit in Newfoundland, Canada. Anaconda Mining Inc. ("ANX") acquired 100% of the Jackson's Arm gold deposit for cash and shares of ANX. ANX paid the Company total cash payments of \$50,000 (received) and 1,113,218 common shares ("Consideration Shares") (received and subsequently valued at \$501,000). The Consideration Shares are subject to a hold period which will expire on May 27, 2018 in accordance with the rules and policies of the Toronto Stock Exchange and applicable Canadian securities laws and are also subject to further transfer restriction pursuant to the terms of the transaction.

## Selected Annual Information

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the Financial Statements.

	Year Ended October 31, 2018	Year Ended October 31, 2017	Year Ended October 31, 2016
Total Revenues	\$ Nil	\$ Nil	\$ Nil
Net Loss Before Other Items	171,733	95,234	96,294
Net Income (Loss)	(361,614)	522,216	(396,794)
Basic and Diluted Loss per Share	0.01	0.01	0.00
Total Assets	106,947	551,040	6,439
Total Long-term Liabilities	-	-	-
Cash Dividends	-	-	-

During the year ended October 31, 2018 the Company received \$50,000 and 1,113,218 common shares (valued at \$501,000) from ANX.

During the year ended October 31, 2017 the Company wrote off \$66,450 payable resulting in a gain recognized and had a reversal of impairment on exploration and evaluation assets of \$551,000 of its Jackson's Arm property.

During the year ended October 31, 2016 the Company wrote off the Eastgate Gold Property due to delays in exploration work.

## Results of Operations

During the year ended October 31, 2018 the Company incurred a loss before other items of \$171,733 (2017 - \$95,234) which shows an increase to expenses. There is a significant increase in expenses of management fee \$60,000 (2017 - \$Nil), rent \$11,737 (2017 - \$Nil), and travel and trade shows \$11,931 (2017 - \$Nil) due to increase in operational activities.

## Fourth Quarter and Summary of Quarterly Results

	Three Months Ended			
	October 31, 2018	July 31, 2018	April 30, 2018	January 31, 2018
Total Assets	\$ 106,947	\$ 376,977	\$ 502,246	\$ 531,066
Exploration and Evaluation Assets	-	-	-	25,000
Working Capital (Deficiency)	(146,021)	128,416	184,286	187,861
Shareholder's Equity (Deficiency)	(146,021)	128,416	184,286	212,861
Revenues	Nil	Nil	Nil	Nil
Net Income/(Loss)	\$ (274,098)	\$ (55,870)	\$ (28,914)	\$ (2,732)
Loss per share	-	-	-	-

	Three Months Ended			
	October 31, 2017	July 31, 2017	April 30, 2017	January 31, 2017
Total Assets	\$ 551,040	\$ 62	\$ 74	\$ 214
Exploration and Evaluation Assets	551,000	-	-	-
Working Capital (Deficiency)	(335,407)	(353,312)	(341,381)	(309,017)
Shareholder's Equity (Deficiency)	215,593	(353,312)	(341,381)	(309,017)
Revenues	Nil	Nil	Nil	Nil
Net Loss	\$ 568,907	\$ (11,931)	\$ (32,365)	\$ (2,394)
Loss per share	-	-	-	-

There was no significant activity during the quarters ended October 31, 2018 and July 31, 2018.

During the three month period ended April 30, 2018, the Company received \$25,000 second cash payment from Anaconda Mining Inc. thereby completing the sale of Jackson's Arm property.

During the three month period ended January 31, 2018, the Company received \$25,000 first cash payment and 1,113,218 common shares (received valued at \$501,000) from Anaconda Mining Inc. for the sale of Jackson's Arm property.

During the three month period ended October 31, 2017 the Company wrote off \$66,450 payable and had a reversal of impairment on exploration and evaluation assets of \$551,000 of its Jackson's Arm property resulting in a gain recognized.

There was no significant activity during the quarters ended July 31, 2017, April 30, 2017 and January 31, 2017.

During the three month period ended October 31, 2016 the Company has written off \$300,500 of its Eastgate Property due to delay in exploration work resulting in a decrease to asset.

## Mineral Properties

### 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.

During the year ending October 31, 2012 the Company paid \$100,000 to Blue Ridge and issued 2,000,000 common shares valued at \$160,000 with additional payments of \$1,220 cash and 200,000 common shares (valued at \$16,000) as finder's fee. The Company staked additional claims and reimbursed the optionor for certain other costs.

In order to acquire its initial 30% interest, the Company shall make the following additional payments to Blue Ridge:

- \$200,000 (paid) and 500,000 common shares (issued; valued at \$15,000) of the Company by May 15, 2013
- \$200,000 (paid) by May 15, 2014

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 has earned a 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.

If the Company acquires at least a 75% interest and no joint venture is formed, the Company will issue an additional 3,000,000 shares to Blue Ridge upon the earlier of (a) commencing commercial production; or (b) disposing of the majority of its interest in the property to a third party purchaser pursuant to an asset sale, merger, amalgamation, take-over or similar corporate reorganization.

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. (formerly Boss Power 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.

Following the above initial 15% purchase, Eros purchased an additional 15% interest in the property in consideration for a payment of US\$200,000 to Blue Ridge. Eros has the right to purchase an additional 15% interest for US\$200,000.

Eros holds 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.

The Company and Eros will jointly and equally participate in the remaining purchases of a 15% interest and a 25% interest in the Property pursuant to and as contemplated by the Blue Ridge Agreement.

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.

The Company has received \$300,500 (USD\$250,000) as of 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.

During the year ended 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 acquired a 100% interest in certain mineral claims, located in Newfoundland. Due to a delay in exploration work, the Company wrote off all costs (\$3,407,074) associated with the Property during fiscal 2010. During the fiscal year 2014 the Company entered into an agreement with Atlantic Minerals Ltd. ("Atlantic") for an option to purchase 11 claims from Jackson's Arm Property and received \$25,000. Atlantic elected not to exercise their option to acquire the claims after the initial drill program was completed. Subsequent to October 31, 2017, the Company sold its 100% (Note 11) resulting in a reversal of previous impairments to reflect the fair value received upon sale of \$551,000. This reversal is reflected in the statements of the income (loss). During the year ended October 31, 2018 the Company has received from ANX the gross payment of \$50,000 and 1,113,218 common shares (received valued at \$501,000).

### **Liquidity and Capital Resources**

Kermode's mineral exploration and development activities do not provide a source of income and we therefore have a history of losses, working capital deficiencies and an accumulated deficit. However, given the nature of our business, the results of operations as reflected in the net losses and losses per share do not provide meaningful interpretation of our valuation

The Company has financed its operations to date primarily through the issuance of common shares. The Company will continue to seek capital through the issuance of common shares.

*Operating activities:* The Company does not generate any revenues and generally does not receive any cash from operating activities. Net cash used in operating activities during the year ended October 31, 2018 was \$310,389, compared to net cash used in operating activities for the year ended October 31, 2017 was \$35,142. The increase in cash used was mainly attributed to increase to expense and receivable.

*Investing activities:* Net cash provided by investing activities relates to mineral property expenditures and advances paid. Net cash provided by investing activities for the year ended October 31, 2018 was \$343,671 and cash provided for the year ended October 31, 2017 was \$Nil. The increase to cash provided was due to sale of the Company's ANX common shares.

*Financing activities:* Net cash provided by financing activities for the year ended October 31, 2018 was \$Nil compared to \$35,050 for the year ended October 31, 2017. Net cash provided by financing activities increase for year ended October 31, 2017 was due to advance receivable repayment.

The financial statements for the year ended October 31, 2018 do not reflect adjustments, which could be material, to the carrying value of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

Refer to the Financial Instrument section for further discussion of liquidity.

### **Contractual Obligations**

Except as described herein or in the Company's financial statements at the date of this report, the Company had no material financial commitments.

## Off-Balance Sheet Arrangements

At the date of this report, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

## Outstanding Share Data

As at the date of this report, the Company had 65,397,373 common shares issued and outstanding. There are no stock options or warrants outstanding as at of this report.

## Related Party Transactions

During the year ended October 31, 2018, the Company entered into the following transactions with related parties not disclosed elsewhere in the financial statements:

- a) Paid or accrued \$12,500 (2017 - \$25,200) for professional fees to an officer of the Company,
- b) Paid or accrued \$12,500 (2017 - \$25,200) for consulting included in office and sundry to an officer of the Company,
- c) Paid or accrued \$60,000 (2017 - \$Nil) for management fee to a company owned by a spouse of a director.

The balance receivable as at October 31, 2018 is \$17,644 (October 31, 2017 - \$Nil) from a company owned by a spouse of a director and balance receivable as at October 31, 2018 is \$34,981 (October 31, 2017 - \$Nil) from a company with common directors. The balance payable as at October 31, 2018 is \$Nil (October 31, 2017 - \$28,743) from a company owned by a spouse of a director.

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:

	October 31, 2018	October 31, 2017
Professional Fees	\$ 12,500	\$ 25,200
Total Expense	\$ 12,500	\$ 25,200

As at October 31, 2018, the Company owes \$75,400 (2017 - \$133,065) in accounts payable and accrued liabilities to various related parties.

## Proposed Transactions

There is currently no proposed transaction under consideration.

## 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 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 to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at October 31, 2018, the Company had a cash balance of \$33,322 (October 31, 2017 - \$40) available to settle current liabilities of \$252,968 (October 31, 2017 - \$335,447). 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 shareholder's equity.

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.

### **Risk Factors**

Companies in the exploration stage face a variety of risks and, while unable to eliminate all of them, the Company aims at managing and reducing such risks as much as possible. The Company faces a variety of risk factors such as project feasibility and practically, risks related to determining the validity of mineral property title claims, commodities prices and environmental laws and regulations. Management monitors its activities and those factors that could impact them in order to manage risk and make timely decisions.

### **Critical Accounting Policies and Estimates**

The financial statements have been prepared in accordance with IFRS as adopted in Canada and form the basis for the following discussion and analysis of critical accounting policies and estimates. The Company makes estimates and assumptions that affect the reported amounts of assets, liabilities and expenses and related disclosure of contingent assets and liabilities during the course of preparing these financial statements. On a regular basis, the Company evaluates estimates and assumptions including those related to the recognition of share-based payments.

Estimates are based on historical experience and on various other assumptions that the Company believes to be reasonable. These estimates form the basis of judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

### **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 October 31, 2018:

IFRS 9	New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets <sup>(i)</sup>
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 <sup>(i)</sup>
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 <sup>(ii)</sup>

(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.