



**KERMODE RESOURCES LTD.**

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**FOR THE NINE MONTH PERIOD ENDED JULY 31, 2022**

## **Overview**

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Kermode Resources Ltd. ("Kermode" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the nine month period ended July 31, 2022. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the condensed interim financial statements of the Company for the nine month period ended July 31, 2022 together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the period presented are not necessarily indicative of the results that may be expected for any future period. The Company is presently a "Venture Issuer" as defined in NI 51-102.

The Company's financial statements and the financial data included in the MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee that are effective as at October 31, 2021.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Kermode's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

The MD&A was reviewed and approved by the Board of Directors and is effective as of September 28, 2022.

## **Forward-Looking Statements**

Certain information regarding the Company within Management's Discussion and Analysis ("MD&A") may include "forward-looking statements" within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical facts, included in this MD&A that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such thing as future business strategy, goals, expansion and growth of the Company's business, plans and other such matters are forward-looking statements. When used in this MD&A the words "estimate", "plan", "anticipate", "expect", "intend", "believe" and similar expressions are intended to identify forward-looking statements. Such statements by their nature involve certain risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements. The Company considers the assumptions on which these forward-looking statements are based to be reasonable at the time they were prepared, but cautions the reader that these assumptions regarding future events, many of which are beyond the

control of management, may ultimately prove to be incorrect. The reader should not rely solely on these forward-looking statements.

## **COVID-19**

Beginning in the first quarter of calendar 2020, the outbreak of the novel strain of coronavirus ("COVID-19"), has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused an economic slowdown and material disruption to certain businesses. Although management has experienced increased activity as a result of improved interest in the silver sector, travel restrictions imposed by various governments have created somewhat of a slow-down in the ability to transact business as a result of the self-isolating measures. Government has reacted with interventions intended to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial performance and financial position of the Company in future periods.

## **Company Overview**

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

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

## **Going Concern**

The Company is subject to the risks and challenges experienced by other companies at a comparable stage. These risks include, but are not limited to, continuing losses, dependence on key individuals and the ability to secure adequate financing or to complete corporate transactions to meet the minimum capital required to successfully complete the Company's projects and to fund operating expenses. Development of the Company's current projects to the production stage will require significant financing. Refer to the "Risks and Uncertainties" section for additional information.

This MD&A incorporates these changes into the analysis provided below.

The Company's mineral exploration efforts have not resulted in any commercial production and, accordingly, the Company is dependent upon debt and/or equity financings, the accommodation of service providers and creditors, and the optioning and/or sale of resource or resource-related assets for its funding.

## **Mineral Property Interests**

### **Little Bay Copper Project property, Newfoundland**

The Company entered into an option agreement (the "Option Agreement") with vendor group comprised of six private Canadian individuals to acquire a 100% interest in the Little Bay copper project in Newfoundland. The Option Agreement was signed April 11, 2022 and is an arm's length transaction. No finder's fees are payable in connection with the transaction. Acquisition Costs of \$12,000 cash were paid, and 1,500,000 shares were issued (valued at \$75,000 based on deemed value of \$0.05 per share). The option is exercisable over a period of 4 years. The total work commitments are \$4,250,000 over 5 years with \$100,000 due by the first anniversary. Over the life of the deal, the total payments include 33,000,000 common shares in the capital of KLM plus \$262,000 cash. The agreement provides for a two percent royalty ("2% NSR") with a buy-back of 1% for \$2,000,000. Planet X Exploration Services Ltd. has a right of first refusal for all exploration work contracted by Kermode over the life of the option deal.

### **Lucky Strike, British Columbia**

The Company entered into an option agreement (the "Option Agreement") with a vendor group comprised of three private Canadian individuals, one of whom is 911 Mining Co. The option agreement was signed July 20, 2022 and is an arm's length transaction. No finder's fees are payable in connection with the transaction and 9,000,000 shares were issued (valued at \$135,000 based on deemed value of \$0.015 per share). The option is exercisable over a period of three years. There are no work commitments. Over the life of the deal, the total payments include 27,000,000 common shares in the capital of KLM. The agreement provides for a two percent royalty ("2% NSR") with a buy-back of 1% for \$1,000,000.

### **Vidette Lake Gold Project property, British Columbia**

The Company entered into an option agreement (the "Option Agreement") with Strata GeoData Services Ltd. to acquire a 100% interest in the Vidette Lake gold project in British Columbia. The Option Agreement was signed on May 23, 2020 and is an arm's length transaction. No finder's fees are payable in connection with the transaction. The option is exercisable over a period of 3 years but may be accelerated at the Company's discretion. To exercise the option, the Company must pay an aggregate of \$35,000 in cash, issue an aggregate of 500,000 common shares in the capital of the Company, and expend an aggregate of \$225,000 on the planning, development and execution of a work program based on a mutually approved budget, over the next 3 years. All shares issued pursuant to the Option Agreement will be subject to resale restrictions under applicable securities legislation and the rules of the TSX Venture Exchange ("TSXV").

During the year ending October 31, 2021 the Company paid \$5,000 in cash, issued 100,000 common shares (valued at \$4,000), and the Company also incurred \$59,195 of exploration expenditure.

In March 2022, the Company amended the terms of the option for the Vidette Lake project, which expanded the area of interest to include specific claims that the property vendor had previously staked in November 2021.

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During the nine month period ended July 31, 2022 the Company paid \$10,000 in cash for the second property payment. There was no work done at the Vidette Lake Gold Project. On April 27, 2022, the option for Vidette expired.

**Eastgate Gold**

The Company entered into a Mineral Property Option 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 currently holds at least a 15% interest in the Eastgate Gold project.

Blue Ridge will retain a 3% NSR royalty, which the Company has an agreement with Blue Ridge to purchase 1% 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, 2021, the Company paid an annual fee of \$6,030 for 28 of the 101 claims at Eastgate. The Company also incurred \$20,000 of exploration expenditures.

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During the nine month period ended July 31, 2022, the Company collected new channel samples and reported initial fire assays in November 2021 with follow-up metallic screen fire assays in December 2021. In January 2022, the Company found new documentation of historical drilling results from the Eastgate project. It used this data to support an Exploration Target as per section 2.3(2) of the National Instruments 43-101 policy, which provides a conceptual estimate of the possible gold endowment at the project.

**Selected Quarterly Financial Information**

	July 31, 2022	April 30, 2022	January 31, 2022	October 31, 2021
Total Assets	380,051	345,724	277,159	270,691
Exploration and Evaluation Assets	203,030	68,030	94,225	94,225
Working Capital (Deficiency)	(84,418)	(15,835)	(187,674)	(285,955)
Shareholders' Equity (Deficiency)	118,612	52,195	(93,449)	(191,730)
Revenues	Nil	Nil	Nil	Nil
Net Loss	(68,583)	(114,617)	(43,957)	(170,173)

	July 31, 2021	April 30, 2021	January 31, 2021	October 31, 2020
Total Assets	128,312	126,335	102,230	109,324
Exploration and Evaluation Assets	68,196	39,000	-	-
Working Capital (Deficiency)	(298,977)	(257,733)	(391,587)	(372,901)
Shareholders' Equity (Deficiency)	(230,781)	(218,733)	(391,587)	(372,901)
Revenues	Nil	Nil	Nil	Nil
Net Loss	(14,548)	(46,146)	(15,775)	(101,366)

**Results of Operations**

During the nine month period ended July 31, 2022 the Company incurred a loss before other items of \$227,157 (2021 - \$72,969) resulting from an increase in expenses. The changes in operational expenses are set out below:

- a write down of Vidette Lake property \$78,196 (2021 - \$nil)
- an increase in property investigation expenses of \$74,203 (2021 - \$nil)
- increase in professional fees of \$19,020 (2021 - \$19,555) due to increase in legal fees
- decrease in rent of \$nil (2021 - \$7,744) from a change in office location
- a decrease in office and sundry costs of \$18,980 (2021 - \$19,941) resulting from decreased expenses incurred from a former related party

**Liquidity and Capital Resources**

This section should be read in conjunction with the unaudited condensed interim consolidated financial statements for the period ended July 31, 2022, and the corresponding notes thereto.

The Company has total assets of \$380,051. The primary assets of the Company are cash and cash equivalents of \$135,265, miscellaneous receivables of \$6,954, prepaid expenses and deposits of

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\$34,802, and exploration and evaluation assets of \$203,030. The Company has no long-term liabilities and has working capital deficiency of \$84,418.

The Company has not yet realized profitable operations and has incurred significant losses to date resulting in a cumulative deficit of \$9,955,663. As at July 31, 2022, the Company had cash and cash equivalents of \$135,265 to settle current liabilities of \$261,439.

To continue operations and to fund future obligations, the Company will be required to raise funds through equity or other financing alternatives. Recent global economic conditions and market uncertainty may have an impact on the Company's ability to raise funds through the equity markets. Management believes that there are sources of financing available. The Company has been successful in securing financing during the period ended July 31, 2022. See Note 7 to the unaudited condensed interim financial statements for the period ended July 31, 2022.

The discovery, development and acquisition of mineral properties are unpredictable events. Future metal prices, the success of exploration programs and other property transactions can have a significant impact on capital requirements. The Company does not expect to receive significant income from any of its properties within the foreseeable future. Should the Company decide to further develop any of its properties, the Company may fund its capital requirements by arranging further equity financing, issuing long-term debt, selling royalties, arranging joint ventures with other companies, or through a combination of the above. The Company may also consider the sale of certain non-core properties in order to raise additional capital.

**Critical Accounting Estimates**

The preparation of the unaudited condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These unaudited condensed interim financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of miscellaneous receivables that are included in the unaudited condensed interim statements of financial position; and
- determination of carrying value of non-financial assets.

## **Financial Instruments and Risk Management**

### Fair values

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act.

The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

The following table provides an analysis of the financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2 - fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. prices) or indirectly (derived from prices).

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 a financial loss to the Company if a customer is unable to meet its contractual obligations and arises principally from the Company's accounts receivable. The Company's cash is held with Canadian chartered banks.

### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company has established a standard of ensuring that it has enough resources available to withstand any downturn in the industry. As the Company's industry is very capital intensive, the majority of its spending is related to its capital programs. The Company prepares periodic capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures. The Company's goal is to prudently

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spend its capital while maintaining its credit reputation amongst its suppliers. The Company also mitigates liquidity risk by maintaining an insurance program to minimize exposure to insurable losses.

*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.

*Commodity and equity risk*

The Company is exposed to price risk with respect to commodity and equity prices. Commodity price risk is the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. Equity price risk is the potential adverse impact on the Company's comprehensive earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depend upon the world market price of certain precious and base metals. Precious and base metals have fluctuated widely in recent years. There is no assurance that, even if commercial quantities of precious and base metals are produced in the future, a profitable market will exist for them.

**Capital Management**

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying natural resource

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properties. The Company's objective is met by retaining adequate equity to guard against the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements. The Company considers its capital structure to include cash and working capital. In order to maintain or adjust the capital structure, the Company may from time to time issue shares and adjust its capital spending to manage current and projected debt levels. To assess capital and operating efficiency and financial strength, the Company continually monitors its net cash and working capital.

### **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 has 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 MD&A, the Company has 119,630,170 common shares issued and outstanding as well as: (a) stock options to purchase an aggregate of 5,000,000 common shares expiring September 24, 2026 and February 15, 2027, exercisable at \$0.05 per common share and, (b) share purchase warrants to purchase an aggregate of 9,652,600 common shares expiring February 2024 exercisable at \$0.05 per common share.

### **Related Party Transactions**

During the nine month period ended July 31, 2022, the Company entered into the following transactions with related parties not disclosed elsewhere in the financial statements:

- a) Paid or accrued \$10,000 (2021 - \$5,000) for management fees to a director and former officer of the Company,
- b) Paid or accrued \$Nil (2021 - \$7,500) for consulting included in office and sundry to a former officer of the Company,

The balance payable as at July 31, 2022 of \$29,808 (October 31, 2021 - \$29,808) is due to a company owned by a spouse of a former director.

The key management personnel of the Company are the Directors, Chief Executive Officer, and the Chief Financial Officer.

As at July 31, 2022, the Company owes \$105,887 (2021 - \$135,400) in accounts payable and accrued liabilities to current and former directors and officers.

## **Proposed Transactions**

On August 4, 2022, the Company entered into a non-binding letter of intent to acquire the Black Bear project in British Columbia from a private individual.

On August 4, 2022, the Company entered into a non-binding letter of intent to acquire the Copper King project in British Columbia from a group of private individuals.

On August 8, 2022, the Company entered into a non-binding letter of intent to acquire the Star of the West project in British Columbia from a group of private individuals.

On September 2, 2022, the Company entered into a non-binding letter of intent to acquire the Santana Mine project in British Columbia from a group of private individuals.

## **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 advanced 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 advanced receivable is remote the credit risk from the advanced 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 July 31, 2022, the Company had a cash balance of \$135,265 (October 31, 2021 - \$93,664) available to settle current liabilities of \$261,439 (October 31, 2021 - \$462,421). All of the Company's financial liabilities are subject to normal trade terms.

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*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.