



**FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED OCTOBER 31, 2014**

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, 2014. The MD&A takes into account information available up to and including February 25, 2015 and should be read together with the audited financial statements and notes for the year ended October 31, 2014, and the audited financial statements, notes and MD&A for the years ended October 31, 2013, October 31, 2012, and October 31, 2011 all of which are available on the Sedar website at 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 and on the Company's website at 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 and on the Company's website at 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

The following is a summary of significant events and transactions that occurred during the year ended October 31, 2014:

- a) On February 6, 2014, the Company announced that its board of directors has approved and adopted an Advance Notice Policy (the "Policy") effective February 4, 2014. The Policy includes, among other things, a provision that requires advance notice to be given to the Company in circumstances where nominations of persons for election to the board are made by shareholders of the Company.
- b) On April 1, 2014, the Company announced the resignation of Adrian O'Brien in his capacity as President of the Company.
- c) On April 17, 2014, the Company closed its private placement and issued 530,800 shares at a price of \$0.05 per share for gross proceeds of \$26,540. All securities issued pursuant to this private placement are subject to a hold period expiring 4 months and 1 day from the date of issuance. No finder's fees were paid.
- d) On April 28, 2014, the Company announced that it closed its \$225,000 second unit financing with Demerara Gold Ltd. Kermode will issue 750,000 units at \$0.30 per unit; each unit being comprised of one common share and one share purchase warrant exercisable until April 28, 2015 at \$0.30 per share. Participation by Demerara would be considered a related party transaction as defined under Multilateral Instrument 61-101. Proceeds of the financing will be used to meet the option payment due by Kermode under its Property Option Agreement dated April 30, 2012 with Blue Ridge Gold LLC for the Eastgate Project in Nevada. Finder's fees equivalent to 10% of the second unit financing will be paid by the issuance of 450,000 common shares of Kermode at the deemed price of \$0.05 per share to the finder.
- e) On June 23, 2014, the Company announced payments has been made under the terms of its Agreement with Blue Ridge Gold LLC, (a private Nevada company) and has purchased a direct 30% interest in the Eastgate Gold Property, Nevada.

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
- f) The Company has terminated its option agreement with Demerara Gold Corp pursuant to the terms of the agreement. The Company will now seek financing opportunities for the exploration of the property.

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, 2014	Year Ended October 31, 2013	Year Ended October 31, 2012
Total Revenues	\$ Nil	\$ Nil	\$ Nil
Net Loss Before Other Items	146,121	495,949	427,021
Net Loss	91,737	729,763	646,479
Basic and Diluted Loss per Share	0.00	0.01	0.01
Total Assets	872,949	632,503	574,388
Total Long-term Liabilities	-	-	-
Cash Dividends	-	-	-

During the fiscal year ended 2014 the Company completed a private placement of 530,800 common shares at \$0.05 per share for gross proceeds of \$26,540 and shares issued of 1,469,200 as settlement of debt of \$73,460 at \$0.05 per share resulting in a gain on settlement of debt of \$29,384. The Company also completed a private placement of 750,000 units at \$0.30 per unit for gross proceeds of \$225,000 the second unit financing pursuant to an option-out agreement on the Eastgate Gold property. Each unit consists of 1 common share and 1 share purchase warrant exercisable at \$0.30 expiring April 28, 2015. The Company paid \$200,000 to Blue Ridge during the current year as part of their agreement. The Company issued 450,000 finders shares valued at \$22,500 as finders fees on the placement. The Company received \$25,000 from Atlantic Minerals Ltd. for an option to purchase 10 claims from Jackson's Arm Property that was previously written down and thereby reducing Net Loss.

During the fiscal year ended 2013 the Company closed a non-brokered private placement of 6,300,000 common shares at \$0.05 per common share for gross proceeds of \$315,000 and initial financing of \$400,000 through issuance of 8,000,000 units with each unit consisting of one common share of Kermode, and one share purchase warrant priced at \$0.125 expiring May 15, 2014. The Company has paid \$200,000 and issued 500,000 common shares (valued at \$15,000) to Blue Ridge during the current fiscal year as part of their agreement. The Company has also entered into an agreement, later amended, with Demerara Gold Corp ("Demerara"), whereby the Company granted Demerara the right and option to acquire up to a 51% interest in the Eastgate Gold property.

During the fiscal year ended 2012 the Company entered into an exclusive Mineral Property Option and Joint Venture Agreement and made a \$100,000 payment to Blue Ridge Gold LLC and issued 2,000,000 shares valued at \$160,000 with additional payments of \$1,220 cash and 200,000 shares (valued at \$16,000) as finder's fee. The Company staked additional 70 claims for \$2,813.

Results of Operations

During the year ended October 31, 2014 the Company incurred a loss before other items of \$146,121 (2013 - \$495,949) which shows a significant decrease to expenses.

Significant decreases in expenses are as follows: management fees \$Nil (2013 - \$22,500), office and sundry \$34,622 (2013 - \$130,891), professional fees \$35,908 (2013 - \$137,543), rent \$17,742 (2013 - \$119,851), and travel and trade shows \$13,005 (2013 - \$33,964). The decreases in these accounts were due to a decrease in promotional and financing activities.

Included in other items, the Company received \$25,000 (2013 - \$Nil) is an option fee from Atlantic Minerals Limited as first payment for granting the option to obtain 100% interest in its Jackson's Arm property. The Company also recorded a recovery of flow-through premium \$Nil (2013 - \$61,231) due to

exploration expenditure on the properties and a write-off of exploration and evaluation assets \$Nil (2013 - \$295,045) of the Buzz lake property. The Company recorded a gain on settlement of debt of \$29,384 (2013 - \$Nil) from the issuance of 1,469,200 shares issued as settlement of debt at \$0.05 per share.

Fourth Quarter and Summary of Quarterly Results

	Three Months Ended			
	October 31, 2014	July 31, 2014	April 30, 2014	January 31, 2014
Total Assets	\$ 872,949	\$ 836,070	\$ 823,487	\$ 620,222
Exploration and Evaluation Assets	837,645	818,575	599,384	599,384
Working Capital (Deficiency)	(282,651)	(267,971)	(90,384)	(267,690)
Shareholder's Equity	554,994	550,604	509,000	331,694
Revenues	Nil	Nil	Nil	Nil
Net Income/(Loss)	\$ (44,849)	\$ 20,227	\$ (47,694)	\$ (19,421)
Loss per share	-	-	-	-

	Three Months Ended			
	October 31, 2013	July 31, 2013	April 30, 2013	January 31, 2013
Total Assets	\$ 632,503	\$ 788,542	\$ 544,790	\$ 718,548
Exploration and Evaluation Assets	599,384	576,383	359,583	359,583
Working Capital (Deficiency)	(248,269)	(18,874)	(94,001)	9,429
Shareholder's Equity	351,115	557,509	265,582	369,012
Revenues	Nil	Nil	Nil	Nil
Net Loss	\$ (183,894)	\$ (97,623)	\$ (103,430)	\$ (344,816)
Loss per share	-	-	-	(0.01)

There was no significant activity during the quarter ended October 31, 2014.

During the quarter ended July 31, 2014 the Company made a payment of \$219,325 (USD\$200,000) to Blue Ridge Gold LLC to acquire 30% interest in Eastgate Gold property, resulting in an increase to Exploration and Evaluation Assets. The Net Income for the three month period, was the result of significant decrease in expense and initial option fee received for Jackson's Arm property.

During the quarter ended April 30, 2014 the Company completed a private placement of 530,800 common shares at \$0.05 per share for gross proceeds of \$26,540 and shares issued of 1,469,200 as settlement of debt of \$73,460 at \$0.05 per share resulting in a gain on settlement of debt of \$29,384. The Company completed a private placement of 750,000 units at \$0.30 per unit for gross proceeds of \$225,000 the second unit financing pursuant to an option-out agreement on the Eastgate Gold property.

There was no significant activity during the quarters ended October 31, 2013 and January 31, 2014.

During the quarter ended July 31, 2013 the Company completed an initial financing of 8,000,000 units at \$0.05 per unit for gross proceeds of \$400,000 as per the agreement with Demerara Gold Corp, which resulted in an increase to Shareholder's Equity and contributed to an increase to Assets. The Company also made a USD\$200,000 cash payment and issued 500,000 common shares as part of the acquisition payment on its Eastgate Property which resulted in an increase to Mineral Properties from the prior period.

There was no significant activity during the quarter ended April 30, 2013.

During the quarter ended January 31, 2013 the Company completed a non-brokered private placement of 6,300,000 common shares at \$0.05 per share for gross proceeds of \$315,000 and wrote-off \$295,045 exploration expenditures on Buzz Lake subsequent to year end October 31, 2012.

Mineral Properties

Buzz Lake

The Company acquired a 100% interest in the property, located in the Snow Lake-Wekusko Region in west central Manitoba. The Company issued 1,400,000 shares (valued at \$140,000) and paid \$40,000, subject to a 2.0% net smelter returns royalty, of which 1.5% may be purchased by the Company in consideration of \$500,000 for each 0.5%. Costs of \$295,045 were charged to operations, during the year ended October 31, 2013 (2012 - \$232,227), as the Company no longer intends to continue with the property.

Eastgate Gold

(a) Blue Ridge

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
- \$200,000 by May 15, 2016 for an aggregate 60% interest
- \$200,000 by May 15, 2017 for an aggregate 75% interest

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.

(b) Demerara Gold Corp.

During the year ended October 31, 2013 the Company entered into an agreement, later amended, with Demerara Gold Corp ("Demerara"), whereby the Company granted Demerara the right and option to acquire up to a 51% interest in the Eastgate Gold property. In order to acquire its initial 21% interest, Demerara entered into the following transactions:

- Subscribe to 8,000,000 units of the Company at a price of \$0.05/unit for proceeds of \$400,000 (completed). Each unit includes 1 common share and 1 common share purchase warrant exercisable at \$0.125 until May 15, 2014.
- Subscribe to a private placement of 750,000 units at a price of \$0.30 per unit for \$225,000 (completed – Note 7). Each unit includes 1 common share and 1 share purchase warrant exercisable at \$0.30 per share until April 1, 2015.

Demerara did not complete the remaining terms of its option agreement, consequently the option was terminated.

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, 2014 was \$4,919, compared to net cash used in operating activities for the year ended October 31, 2013 was \$250,243. The reduction in cash used was mainly attributed to a decrease in financing and promotional activities.

Investing activities: Net cash used in investing activities relates to mineral property expenditures and advances paid. Net cash used in investing activities for the year ended October 31, 2014 was \$246,621 compared to net cash used in investing activities of \$416,397 for the year ended October 31, 2013. The decrease in the cash used was mainly attributed to write-down of Buzz Lake mineral property in the prior fiscal year.

Financing activities: Net cash provided by financing activities for the year ended October 31, 2014 was \$251,540 compared to \$666,515 for the year ended October 31, 2013.

The financial statements for the year ended October 31, 2014 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. The following stock options were outstanding as at the date of this report:

	Number of Shares	Exercise Price	Expiry Date
Stock options	840,000	\$0.11	January 18, 2016
	<u>1,610,000</u>	0.11	August 29, 2016
	2,450,000		
Warrants	750,000	0.30	April 28, 2015

Related Party Transactions

During the year ended October 31, 2014, the Company entered into the following transactions with related parties not disclosed elsewhere in the financial statements:

- a) Paid or accrued \$8,595 (2013 - \$50,929) for professional fees to officers of the Company.
- b) Paid or accrued \$Nil (2013 - \$66,000) for professional fees to a company controlled by a spouse of a director.
- c) Paid or accrued \$Nil (2013 - \$22,500) in management fees to a former director of the Company.
- d) Paid or accrued \$Nil (2013 - \$25,000) in share issuance costs to a former director of the Company.

The balance receivable as at October 31, 2014 is \$32,238 (October 31, 2013 - \$24,631) from a company owned by a spouse of a director. The directors of the Company had accounts payable balance of \$73,460 owed which was settled with 1,469,200 shares valued at \$44,076 resulting in a gain on settlement of \$29,384.

As at October 31, 2014, the Company owes \$17,526 (2013- \$Nil) in accounts payable to various related parties.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the 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 receivables, advances receivable and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these instruments. The Company's cash is 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 receivables and advances receivable. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote because these receivables are due primarily from a government agency and 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, 2014, the Company had a cash balance of \$Nil (October 31, 2013 - \$Nil) available to settle current liabilities of \$317,955 (October 31, 2013 - \$281,388). 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 yet adopted

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended October 31, 2014:

- | | |
|---------------------|---|
| IFRS 10 (Amendment) | • New standard to establish principles for the presentation and preparation of consolidated financial statements when an entity controls multiple entities ⁽ⁱ⁾ |
| IAS 32 (Amendment) | • Financial Instruments: Presentation re: offsetting financial assets and financial liabilities ⁽ⁱ⁾ |
| IAS 36 (Amendment) | • Impairment of assets re: recoverable amount disclosures for non-financial assets ⁽ⁱ⁾ |

(i) Effective for annual periods beginning on or after January 1, 2014

New standards not yet adopted

The following new standard has been issued but is not effective during the year ended February 28, 2014.

- IFRS 9
- New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets⁽ⁱ⁾

(i) Tentative effective date is January 1, 2018

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.