

KERMODE RESOURCES LTD.

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

FOR THE SIX MONTH PERIOD ENDED APRIL 30, 2020

**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

	April 30, 2020	October 31, 2019
ASSETS		
Current		
Cash	\$ 24,990	\$ 54
Receivables	3,680	393
Advances receivable (Note 3)	<u>18,371</u>	<u>46,951</u>
	<u>\$ 47,041</u>	<u>\$ 47,398</u>

LIABILITIES AND SHAREHOLDERS' DEFICIENCY

Current		
Accounts payable and accrued liabilities	<u>\$ 337,374</u>	<u>\$ 322,556</u>
	<u>337,374</u>	<u>322,556</u>
Shareholders' Deficiency		
Share capital (Note 6)	9,185,432	9,185,432
Deficit	<u>(9,475,765)</u>	<u>(9,460,590)</u>
	<u>(290,333)</u>	<u>(275,158)</u>
	<u>\$ 47,041</u>	<u>\$ 47,398</u>

Nature and continuance of operations (Note 1)

Approved and authorized by the Board on June 26, 2020.

"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

	Six Month Period Ended April 30, 2020	Six Month Period Ended April 30, 2019	Three Months Period Ended April 30, 2020	Three Months Period Ended April 30, 2019
GENERAL AND ADMINISTRATIVE EXPENSES				
Investor relations	\$ 500	\$ 5,000	\$ -	\$ -
Office and sundry	889	3,748	145	145
Professional fees	5,041	22,371	891	-
Rent	-	2,906	-	-
Shareholder communications	375	360	255	180
Transfer agent and filing fees	8,370	3,803	7,680	2,916
	<u>(15,175)</u>	<u>(38,188)</u>	<u>(8,971)</u>	<u>(3,241)</u>
OTHER ITEMS				
Loss on disposal of marketable securities	<u>-</u>	<u>(3,419)</u>	<u>-</u>	<u>-</u>
Loss and comprehensive loss for the period	<u>(15,175)</u>	<u>(41,607)</u>	<u>(8,971)</u>	<u>(3,241)</u>
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)	\$ 0.01	\$ 0.01
Weighted average number of common shares outstanding	65,397,373	65,397,373	65,397,373	65,397,373

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 SIX MONTH PERIOD ENDED APRIL 30

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (15,175)	\$ (41,607)
Items not affecting cash:		
Unrealized loss on marketable securities	-	3,419
Changes in non-cash working capital items:		
Receivables	(3,287)	1,406
Accounts payable and accrued liabilities	<u>14,818</u>	<u>22,404</u>
Net cash (used in)/provided by operating activities	<u>(3,644)</u>	<u>(14,378)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	-	14,029
Receipt (payment) on advances receivable, net	<u>28,580</u>	<u>(2,820)</u>
Net cash provided by/(used in) investing activities	<u>28,580</u>	<u>11,209</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares	-	-
Share issuance costs	<u>-</u>	<u>-</u>
Net cash provided by financing activities	<u>-</u>	<u>-</u>
Change in cash for the period	24,936	(3,169)
Cash, beginning of period	<u>54</u>	<u>33,322</u>
Cash, end of period	<u>\$ 24,990</u>	<u>\$ 30,153</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>			
	Number	Amount	Deficit	Total
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>(41,607)</u>	<u>(41,607)</u>
Balance at April 30, 2019	65,397,373	\$ 9,185,432	\$ (9,373,060)	\$ (187,628)
Loss for the period	<u>-</u>	<u>-</u>	<u>(87,530)</u>	<u>(87,530)</u>
Balance at October 31, 2019	65,397,373	\$ 9,185,432	\$ (9,460,590)	\$ (275,158)
Loss for the period	<u>-</u>	<u>-</u>	<u>(15,175)</u>	<u>(15,175)</u>
Balance at January 31, 2020	65,397,373	\$ 9,185,432	\$ (9,475,765)	\$ (290,333)

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 SIX MONTH PERIOD ENDED APRIL 30, 2020

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 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, 2019 annual financial statements.

KERMODE RESOURCES LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian Dollars)
FOR THE SIX MONTH PERIOD ENDED APRIL 30, 2020

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

Policies not yet adopted

IFRS 16 – Leases (“IFRS 16”) 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 mandatory effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019. Management believes that IFRS 16 will not have a material impact on the Company’s classification and measurement of financial assets and liabilities.

3. ADVANCES RECEIVABLE

	January 31, 2020	October 31, 2019
Balance, beginning of year	\$ 46,951	\$ 17,644
Advances paid	-	44,440
Repayments and expenses incurred on behalf of the Company	<u>(28,580)</u>	<u>(15,133)</u>
Balance, end of year	<u>\$ 18,371</u>	<u>\$ 46,951</u>

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 Company treats these transactions as advances between the Company and management company.

4. EXPLORATION AND EVALUATION ASSETS

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.

KERMODE RESOURCES LTD.
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FOR THE SIX MONTH PERIOD ENDED APRIL 30, 2020

4. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Eastgate Gold (cont'd...)

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.

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 held a 100% interest in certain mineral claims, located in Newfoundland. During the year ended October 31, 2018, the Company sold its 100% resulting in a reversal of previous impairments to reflect the fair value received upon sale of \$551,000 in fiscal 2017. 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 (valued at \$501,000).

5. RELATED PARTY TRANSACTIONS

During the six month period ended April 30, 2020, the Company entered into the following transactions with related parties not disclosed elsewhere in the financial statements:

- a) Paid or accrued \$Nil (2019 - \$2,500) for professional fees to an officer of the Company.
- b) Paid or accrued \$Nil (2019 - \$2,500) for consulting included in office and sundry to an officer of the Company,

The balance receivable as at April 30, 2020 is \$18,371 (October 31, 2019 - \$46,951) from a company owned by a spouse of a director (Note 3) and balance receivable as at January 31, 2020 is \$3,350 (October 31, 2019 - \$Nil) from a company with common directors.

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FOR THE SIX MONTH PERIOD ENDED APRIL 30, 2020

5. RELATED PARTY TRANSACTIONS (cont'd...)

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:

	April 30, 2020	October 31, 2019
Professional Fees	\$ -	\$ 2,500
Total Expense	\$ -	\$ 2,500

As at April 30, 2020, the Company owes \$135,400 (2019 - \$135,400) in accounts payable and accrued liabilities to various related parties.

6. SHARE CAPITAL AND RESERVES

Authorized share capital

As at April 30, 2020, 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 April 30, 2020, 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, 2020, there were no incentive stock options and warrants outstanding.

7. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

There were no significant non-cash transactions during six month period ended April 30, 2020 and April 30, 2019.

8. 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.

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

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 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 addressed in Note 1. As at April 30, 2020, the Company had a cash balance of \$24,990 (October 31, 2019 - \$54) available to settle current liabilities of \$337,374 (October 31, 2019 - \$322,556). 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.

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FOR THE SIX MONTH PERIOD ENDED APRIL 30, 2020

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

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.

9. SUBSEQUENT EVENT

Subsequent to the period ended April 30, 2020, the Company:

- has 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 Kermode, 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. The Option Agreement is subject to TSX Venture Exchange ("TSXV") acceptance. All shares issued pursuant to the Option Agreement will be subject to resale restrictions under applicable securities legislation and the rules of the TSXV.

- announced that its board of directors has approved the settlement of up to \$250,000 of debt (the "Debt Settlement") through the issuance of common shares of the Company. Pursuant to the Debt Settlement the Company will issue up to 25,000,000 common shares of the Company at a deemed price of \$0.01 per share to certain creditors of the Company in full satisfaction of the debt owed. The Debt Settlement is subject to TSXV acceptance. All shares issued pursuant to the Debt Settlement will be subject to resale restrictions under applicable securities legislation and the rules of the TSXV.
- announced a non-brokered private placement of up to 20,000,000 common shares at \$0.01 per share for gross proceeds of up to \$200,000. The proceeds will be used toward the \$35,000 option payment and the initial 12 months of work on the Vidette Lake project, and for general working capital purposes. Completion of the private placement is subject to acceptance by the TSXV. All shares issued pursuant to the private placement will be subject to resale restrictions under applicable securities legislation and the rules of the TSXV.

The option to acquire the Vidette Lake project amounts to a "fundamental acquisition" under TSXV policies, and as such trading of Kermode's shares on the TSXV has been halted and will remain halted until Kermode has made adequate filings with the TSXV and the TSXV resumes trading.