



KERMODE RESOURCES LTD.

**FINANCIAL STATEMENTS
FOR THE FISCAL YEARS
ENDED OCTOBER 31, 2023 and 2022**
(Expressed in Canadian Dollars)

KERMODE RESOURCES LTD.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Kermode Resources Ltd.

Opinion

We have audited the accompanying financial statements of Kermode Resources Ltd. (the "Company"), which comprise the statements of financial position as at October 31, 2023 and 2022 and the statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that the Company incurred ongoing losses. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year ended October 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined that the matter described below to be a key audit matter to be communicated in our auditor's report.

Assessment of Impairment Indicators of Exploration and Evaluation Assets ("E&E Assets")

As described in Note 5 to the financial statements, the carrying amount of the Company's E&E Assets was \$1,064,792 as of October 31, 2023. As more fully described in Notes 2 and 5 to the financial statements, management assesses E&E Assets for indicators of impairment at each reporting period.



The principal considerations for our determination that the assessment of impairment indicators of the E&E Assets is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Assets, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue to explore and evaluate these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the E&E Asset.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the E&E Assets through discussion and communication with management.
- Reviewing the Company's recent expenditure activity and expenditure budgets for future periods.
- Assessing compliance with agreements including reviewing option agreements and vouching cash payments and share issuances.
- Assessing the Company's rights to explore E&E Assets including sending confirmation requests to optionors to ensure good standing of agreements.
- Obtaining, on a test basis through government websites, confirmation of title to ensure mineral rights underlying the E&E Assets are in good standing.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

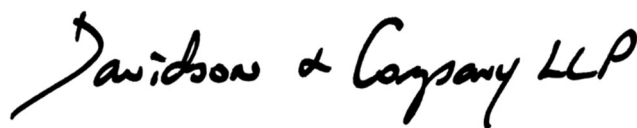
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Peter Maloff.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

February 28, 2024

KERMODE RESOURCES LTD
Statements of Financial Position
(Expressed in Canadian Dollars)

As at	Note	October 31, 2023	October 31, 2022
Assets			
Current assets			
Cash		3,903	30,041
Receivables		9,314	3,573
Prepaid expenses		12,500	25,486
Total current assets		25,717	59,100
Exploration and evaluation assets	5	1,064,792	218,040
Total assets		1,090,509	277,140
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6	253,308	246,982
Advances payable	3	29,808	29,808
Total liabilities		283,116	276,790
Shareholders' equity			
Share capital	7	11,358,713	10,100,588
Contributed surplus	8, 9	219,800	138,776
Deficit		(10,771,120)	(10,239,014)
Total shareholders' equity		807,393	350
Total liabilities and shareholders' equity		1,090,509	277,140

Nature of business and going concern (Note 1)
Subsequent events (Note 13)

Approved and authorized by the Board on February 28, 2024.

“Roger Lewis”

Director

“Tek Manhas”

Director

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

KERMODE RESOURCES LTD
Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
For the Fiscal Years ended October 31, 2023 and 2022

	Note	2023	2022
Operating expenses			
Consultants		\$ -	\$ 12,000
Management fees	6	72,500	16,000
Office and sundry		3,412	6,301
Professional fees		27,836	52,050
Property investigation		3,892	97,221
Share-based compensation	6, 8, 9	143,568	72,634
Transfer agent and filing fees		68,821	44,821
		320,029	301,027
Loss on settlement of debt	4	-	132,167
Write-down of exploration and evaluation assets	5	274,621	117,026
Loss and comprehensive loss for the year		(594,650)	(550,220)
Basic and diluted loss per share		(0.04)	(0.05)
Weighted average number of common shares outstanding, basic and diluted		16,975,128	10,886,118

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

KERMODE RESOURCES LTD.**Statements of Changes in Shareholders' Equity (Deficiency)**

(Expressed in Canadian Dollars)

For the fiscal year ended October 31, 2023 and 2022

	Note	Number of Shares	Share Capital	Contributed Surplus	Accumulated Deficit	Total
Balance, October 31, 2021		9,049,737	\$ 9,434,521	\$ 102,255	\$ (9,728,506)	\$ (191,730)
Private Placement		965,260	241,315	-	-	241,315
Shares issued for debt		898,020	269,406	-	-	269,406
Share issued for Property		1,050,000	165,000	-	-	165,000
Share issue costs-cash		-	(6,055)	-	-	(6,055)
Share-based compensation		-	-	72,634	-	72,634
Broker warrants		-	(3,599)	3,599	-	-
Stock options canceled		-	-	(39,712)	39,712	-
Loss for the year		-	-	-	(550,220)	(550,220)
Balance, October 31, 2022		11,963,017	10,100,588	138,776	(10,239,014)	350
Private Placement	7	757,300	75,730	-	-	75,730
Share issue costs-cash		-	(800)	-	-	(800)
Shares issued for debt	7	648,557	64,856	-	-	64,856
Share issued for Property	7	11,374,213	1,087,339	-	-	1,087,339
Shares issued for services	7	500,000	31,000	-	-	31,000
Share-based compensation	8, 9	-	-	143,568	-	143,568
Stock options canceled	8	-	-	(62,544)	62,544	-
Loss for the year		-	-	-	(594,650)	(594,650)
Balance, October 31, 2023		25,243,087	11,358,713	219,800	(10,771,120)	807,393

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

KERMODE RESOURCES LTD.
Statements of Cash Flows
(Expressed in Canadian Dollars)
For the fiscal year ended October 31, 2023 and 2022

	Note	2023	2022
Operating Activities			
Loss and comprehensive loss for the year		\$ (594,650)	\$ (550,220)
Items not affecting cash:			
Shares issued for management fee	7	31,000	-
Share-based compensation	9	143,568	72,634
Loss on debt settlement	4	-	132,167
Write-down of exploration and evaluation assets	5	274,621	117,026
Change in non-cash working capital items			
Receivables		(5,741)	5,314
Prepaid expenses		12,984	48,429
Accounts payable and accrued liabilities		52,180	(48,392)
Net cash used in operating activities		(86,038)	(223,042)
Financing activities			
Issuance of common shares, net of issue costs	7	74,930	235,260
Net cash provided by financing activities		74,930	235,260
Investing activities			
Exploration and evaluation assets		(15,030)	(75,841)
Net cash used in investing activities		(15,030)	(75,841)
Change in cash for the year		(26,138)	(63,623)
Cash, beginning of the year		30,041	93,664
Cash, end of the year		3,903	30,041
Supplemental schedule of non-cash transactions:			
Shares issued for mineral property acquisition, exploration, and evaluation (Note 7)		1,087,339	165,000
Exploration and evaluation expenditures included in accounts payable and accrued liabilities		19,003	-
Shares issued in settlement of debts		64,856	269,406
Finders' warrants		389	3,599

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

KERMODE RESOURCES LTD.

Notes to the Financial Statements

(Expressed in Canadian Dollars)

As at October 31, 2023 and 2022

1. NATURE OF BUSINESS AND GOING CONCERN

Kermode Resources Ltd. ("Kermode" or the "Company") was incorporated under the laws of the Province of Alberta and was subsequently continued into British Columbia.

The Company is primarily engaged in the business of acquiring, exploring, and transacting in mineral exploration properties located in Canada and the USA. There has been no determination whether properties held contain economically recoverable mineral resources.

The Company's shares are listed on the TSX Venture Exchange ("TSX-V"). The Company's registered and records office is 1 – 505 Fisgard Street, Victoria, British Columbia, Canada.

During the year ended October 31, 2023, the Company consolidated its share capital on a ten (10) old for one (1) new basis. All share, option, warrant and per share amounts have been retroactively restated to reflect this consolidation.

These financial statements have been prepared on a going concern basis 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 as a going concern.

2. MATERIAL ACCOUNTING POLICIES

Statement of Compliance

These financial statements of the Company have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Basis of presentation

The financial statements of the Company have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

KERMODE RESOURCES LTD.

Notes to the Financial Statements

(Expressed in Canadian Dollars)

As at October 31, 2023 and 2022

2. MATERIAL ACCOUNTING POLICIES – continued**Financial instruments**

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified as fair value through profit or loss ("FVTPL"), directly attributable transaction costs. Financial instruments are recognized when the Company becomes party to the contracts that give rise to them and are classified as amortized cost, fair value through profit or loss or fair value through other comprehensive income, as appropriate.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading and financial assets not designated upon initial recognition as amortized cost or fair value through other comprehensive income ("FVOCI"). A financial asset is classified in this category principally for the purpose of selling in the short term, or if so designated by management. Transaction costs are expensed as incurred. On initial recognition, a financial asset that otherwise meets the requirements to be measured at amortized cost or FVOCI may be irrevocably designated as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets measured at FVTPL are measured at fair value with changes in fair value recognized in the statements of loss and comprehensive loss.

Financial assets at FVOCI

On initial recognition of an equity investment that is not held for trading, an irrevocable election is available to measure the investment at fair value upon initial recognition plus directly attributable transaction costs and at each period end, changes in fair value are recognized in other comprehensive income ("OCI") with no reclassification to the statements of operations. The election is available on an investment-by-investment basis. Investments in equity securities, where the Company cannot exert significant influence, are designated as financial assets at FVOCI.

Financial assets at amortized cost

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and is not designated as FVTPL. Financial assets classified as amortized cost are measured subsequent to initial recognition at amortized cost using the effective interest method. Cash and receivables are classified as and measured at amortized cost.

KERMODE RESOURCES LTD.

Notes to the Financial Statements

(Expressed in Canadian Dollars)

As at October 31, 2023 and 2022

2. MATERIAL ACCOUNTING POLICIES - continued*Financial liabilities*

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in loss when the liabilities are derecognized as well as through the amortization process. Borrowing liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date. Accounts payable and accrued liabilities are classified as and measured at amortized cost.

De-recognition of financial assets and liabilities

A financial asset is derecognized when either the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party. If neither the rights to receive cash flows from the asset have expired nor the Company has transferred its rights to receive cash flows from the asset, the Company will assess whether it has relinquished control of the asset or not. If the Company does not control the asset then derecognition is appropriate. A financial liability is derecognized when the associated obligation is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Impairment of financial assets

A loss allowance for expected credit losses is recognized in profit or loss for financial assets measured at amortized cost. At each statement of financial position date, on a forward-looking basis, the Company assesses the expected credit losses associated with its financial assets carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment model does not apply to FVTPL instruments.

The expected credit losses are required to be measured through a loss allowance at an amount equal to the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

KERMODE RESOURCES LTD.

Notes to the Financial Statements

(Expressed in Canadian Dollars)

As at October 31, 2023 and 2022

2. MATERIAL ACCOUNTING POLICIES - continued*Financial instruments recorded at fair value*

The fair value of quoted investments is determined by reference to market prices at the close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis; and, pricing models.

Financial instruments that are measured at fair value subsequent to initial recognition are grouped into a hierarchy based on the degree to which the fair value is observable as follows:

- a. Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c. Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Exploration and evaluation assets

The Company is in the exploration stage with respect to its investment in mineral properties and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties. Such costs include, but are not limited to, geological, geophysical studies, exploratory drilling and sampling. The aggregate costs related to abandoned mineral properties are charged to profit or loss at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

2. MATERIAL ACCOUNTING POLICIES – continued

All capitalized exploration and evaluation assets are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration and evaluation assets are not expected to be recovered, they are charged to profit or loss. Exploration areas where reserves have been discovered, but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway as planned.

Restoration, rehabilitation and environmental obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of a plant and other site preparation work, discounted to their net present value, are provided for and capitalized to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in net loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

KERMODE RESOURCES LTD.

Notes to the Financial Statements

(Expressed in Canadian Dollars)

As at October 31, 2023 and 2022

2. MATERIAL ACCOUNTING POLICIES - continued**Provisions**

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Share-based compensation

The fair value of options and performance share units (“SBC”) granted to employees at the date of grant is recognized as an expense over the vesting period with a corresponding increase in contributed surplus. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by a direct employee, including directors of the Company.

In situations where SBC are issued to non-employees and some or all of the goods or services received by the Company as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment transaction and the fair value of any identified goods or services received at the grant date.

The fair value is measured at the grant date and recognized over the period during which the SBC vest. The fair value of the options granted is measured using the Black-Scholes SBC-pricing model, taking into account the terms and conditions upon which the options were granted. The performance share units are recorded at fair value based on the market price of the common shares at the date of grant and recorded over the estimated vesting period. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of SBC that are expected to vest. Share-based compensation incorporates an expected forfeiture rate.

All equity settled share-based compensation is reflected in contributed surplus, until exercised or granted. Upon exercising or granting, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid. If an SBC is not exercised or granted prior to its expiration, the amount previously reflected in contributed surplus is credited to retained earnings (deficit).

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

KERMODE RESOURCES LTD.

Notes to the Financial Statements

(Expressed in Canadian Dollars)

As at October 31, 2023 and 2022

2. MATERIAL ACCOUNTING POLICIES – continued

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize that excess.

Flow-through shares

The Company will, from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource

expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium if any received from the investor, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes the amount as other income for the amount of tax reduction renounced to the shareholders. Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look- Back Rule, in accordance with Government of Canada flow-through regulations.

Comprehensive loss

Comprehensive loss is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in profit or loss.

2. MATERIAL ACCOUNTING POLICIES – continued**Critical areas of judgment and estimation uncertainty**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the financial statements.

Areas of significant judgment and estimates affecting the amounts recognized in the financial statements include:

(i) Impairment of non-financial assets

Assets are reviewed for an indication of impairment at each date of the statement of financial position. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends, interruptions in exploration and evaluation activities and significant drop in precious metal prices.

(ii) Valuation of share-based compensation

The Company records all share-based compensation using the fair value method. The Company uses the Black-Scholes model to determine the fair value of stock options. The main factor affecting the estimates of the fair value of stock options is the volatility used. The Company currently estimates the expected volatility of its common shares based on the trading history of the Company taking into consideration the expected life of the options.

Loss per share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares which are included when the conditions necessary for the issuance have been met. Diluted earnings per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants. Diluted loss per share does not include the effect of potentially issuable common shares if their effect is anti-dilutive.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent they do not meet the definition of a financial liability or financial asset. The Company's common shares and flow-through shares are classified as equity instruments. Incremental costs directly attributable to the issuance of equity instruments are recognized as a deduction from the proceeds in equity in the period where the transaction occurs.

KERMODE RESOURCES LTD.

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(Expressed in Canadian Dollars)

As at October 31, 2023 and 2022

2. MATERIAL ACCOUNTING POLICIES – continued**Adoption of new accounting standards***Future changes in accounting policies*

Amendment to IAS 1, Presentation of Financial Statements - Classification of Liabilities as Current or Non- Current - In January 2020, the IASB issued amendments to IAS 1 to clarify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions which exist at the end of a reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective January 1, 2024, with early adoption permitted.

The amendments are not expected to have an impact on the Company's financial statements. And the Company doesn't not consider early adoption of IAS.

3. ADVANCES PAYABLE

Advances payable as of October 31, 2023 of \$29,808 (October 31, 2022 - \$29,808) are due to a company with common former directors. The amount is non-interest bearing, unsecured with no specified terms of repayment.

4. COMMON SHARES ISSUED ON SETTLEMENT OF DEBT

During the year ended October 31, 2022, the Company issued 898,020 common shares valued at \$269,406 in settlement of \$137,239 in debts resulting in a loss on settlement of \$132,167.

During the year ended October 31, 2023, the Company issued 648,557 common shares valued at \$64,856 in settlement of \$64,856 in debts. No gain or loss was recognized on settlement.

5. 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.

The Company has not yet determined if the exploration and evaluation assets contain economic ore recoveries.

KERMODE RESOURCES LTD.

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5. EXPLORATION AND EVALUATION ASSETS - continued

The following table summarizes the projects where the Company continues to advance the agreement:

Projects where the Company continues to advance the agreement									
	Black Panther	Caycuse	Khrysos& Silver Bell	Lucky Strike	Mt. Sicker	Santa Anna	Slesse Creek	Trio Eastgate BC	Total
Balance, October 31, 2021	-	-	-	-	-	-	-	-	-
Acquisition Costs	-	-	-	135,000	-	-	-	-	135,000
Exploration	-	-	-	23,093	-	-	-	-	23,093
Write down	-	-	-	-	-	-	-	-	-
Balance, October 31, 2022	-	-	-	158,093	-	-	-	-	158,093
Acquisition Costs	120,000	162,500	150,000	90,000	-	210,000	40,000	-	772,500
Exploration	18,434	14,839	28,689	29,610	7,823	14,258	18,269	2,278	134,200
Write down	-	-	-	-	-	-	-	-	-
Balance, October 31, 2023	138,434	177,339	178,689	277,703	7,823	224,258	58,269	2,278	1,064,793

The following table summarizes the projects where the Company has abandoned the agreement:

Projects where the Company abandoned the agreement								
	Eastgate Nevada	Grey Copper / Bay Copper Jonathan's Pond	Little Copper	Loup Creek	Star of the West	Vidette Lake	911 Knockout	Total
Balance, October 31, 2021	26,030	-	-	-	-	68,195	-	94,225
Acquisition Costs	-	-	42,000	-	17,947	10,000	-	69,947
Exploration	2,801	-	-	-	-	10,000	-	12,801
Write down	(28,831)	-	-	-	-	(88,195)	-	(117,026)
Balance, October 31, 2022	-	-	42,000	-	17,947	-	-	59,947
Acquisition Costs	-	70,000	-	-	-	-	-	70,000
Exploration	-	44,009	-	23,759	68,970	-	7,936	144,674
Write down	-	(114,009)	(42,000)	(23,759)	(86,917)	-	(7,936)	(274,621)
Balance, October 31, 2023	-	-	-	-	-	-	-	-

1) Black Panther, British Columbia

On August 10, 2023, the Company entered into an option agreement to acquire a 100% interest the Black Panther project on Vancouver Island, British Columbia.

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(Expressed in Canadian Dollars)

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5. EXPLORATION AND EVALUATION ASSETS - continued

To complete the acquisition, the Company is required to issue 4,800,000 common shares as follows:

- a. 1,200,000 common shares on the Effective Date (issued August 11, 2023, valued at \$120,000);
- b. an additional 1,200,000 Shares on or before 12 months following the Effective Date;
- c. an additional 1,200,000 Shares on or before 24 months following the Effective Date;
- d. an additional 1,200,000 Shares on or before 36 months following the Effective Date;

The property is subject to a Net Smelter Return royalty ("NSR") of 3% with a \$6,000,000 buy-down and a Sale Participation Right of 30% of gross proceeds received by the Company from any future sale of disposition of any interest in the property in the next ten years.

2) Caycuse Copper, British Columbia

On December 9, 2022, the Company entered into an option agreement to acquire a 100% interest in the Caycuse Copper project located in British Columbia pursuant to which the Company issued 1,500,000 common shares valued at \$150,000. In order to complete the acquisition, the Company is required to issue 500,000 common shares annually for the next nine years. On October 17, 2023, the Company issued 500,000 shares as the 1st-anniversary payment. As at October 31, 2023, the project's acquisition cost is \$162,500.

The property is subject to a NSR of 1% with a \$1,000,000 buy-down and a Sale Participation Right of 10% of gross proceeds received by the Company from any future sale of disposition of any interest in the property in the next ten years.

3) Khrysos & Silver Bell Project, British Columbia

On, May 26, 2023, the Company entered into an option agreement with Aurum Vena Mineral Resources Corp. to acquire a 100% interest in the Khrysos and Silver Bell projects located in British Columbia. On May 26, 2023, the Company issued 1,500,000 common shares valued at \$150,000 and is required to issue an additional 1,500,000 on or before May 2028.

The property is subject to a Sale Participation Right of 10% of gross proceeds received by the Company from any future sale of disposition of any interest in the property in the next ten years.

KERMODE RESOURCES LTD.

Notes to the Financial Statements

(Expressed in Canadian Dollars)

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5. EXPLORATION AND EVALUATION ASSETS – continued**4) Lucky Strike, British Columbia**

On July 20, 2022, the Company entered into an option agreement to acquire a 100% interest in the Lucky Strike Copper project in British Columbia.

Pursuant to the option agreement, the Company issued 900,000 common shares valued at \$135,000 in fiscal 2022 and 900,000 common shares valued at \$90,000 in fiscal 2023. To exercise the option the Company must issue an additional 900,000 common shares on or before July 2024. The Project land position covers 2,739 hectares. There are no work commitments for the Company. There shall be a 2% “Net Smelter Return Royalty” payable to the vendor group, where each one percent can be bought down for \$1,000,000.

5) Mt. Sicker, British Columbia

On October 25, 2023, the Company entered into the option agreement to acquire a 100% interest in the Mt. Sicker project located in British Columbia.

To complete the acquisition, the Company is required to pay \$210,000 and issue 20,000,000 common shares as follows:

Timing	Cash	Securities	Exploration or Other Work Commitments
Exchange Approval	\$-0-	-0-	\$-0-
Year 1	\$-0-	2,500,000	\$-0-
Year 2	\$10,000	2,000,000	\$-0-
Year 3	\$20,000	2,500,000	\$-0-
Year 4	\$30,000	3,000,000	\$-0-
Year 5	\$50,000	4,000,000	\$-0-
Year 6	\$100,000	6,000,000	\$-0-
Total	\$210,000	20,000,000	\$-0-

The property is subject to a NSR of 2% with a \$1,000,000 buy-down and a Sale Participation Right of 5% of gross proceeds received by the Company from any future sale of disposition of any interest in the property in the next ten years.

6) Santa Anna Project, British Columbia

On September 20, 2023, entered into an option agreement to acquire a 100% interest in the Santa Anna project in British Columbia.

Pursuant to the option agreement, the Company issued 2,100,000 common shares valued at \$210,000 on September 20, 2023. To exercise the option, the Company must issue an additional 2,800,000 common shares within 24 months and 3,500,000 common shares within 60 months of closing.

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5. EXPLORATION AND EVALUATION ASSETS – continued

The property is subject to a NSR of 2% with a \$3,500,000 buy-down and a Sale Participation Right of 7% of gross proceeds received by the Company from any future sale of disposition of any interest in the property in the next ten years.

7) Slesse Project, British Columbia

On June 22, 2023, the Company entered into an option agreement to acquire a 100% interest in the Slesse Creek project located in British Columbia.

Pursuant to the option agreement, the Company issued 400,000 common shares valued at \$40,000. To exercise the option, the Company must issue an additional 400,000 common shares within 12 months and 900,000 common shares within 24 months of closing.

The property is subject to a NSR of 1% with a \$1,000,000 buy-down and a Sale Participation Right of 10% of gross proceeds received by the Company from any future sale of disposition of any interest in the property in the next ten years.

8) Trio, British Columbia

On July 24, 2023, the Company entered into an option agreement to acquire a 100% interest in the Silverbell Trio project located on Vancouver Island, British Columbia

To earn a 100% interest in the project, the Company assigned the vendors a NSR of 2% with a \$2,000,000 buy-down and a Sale Participation Right of 20% of gross proceeds received by the Company from any future sale of disposition of any interest in the property in the next ten years.

9) Eastgate BC Project, British Columbia

On June 22, 2023, the Company entered into an option to acquire a 100% interest in the Eastgate project located in British Columbia.

To earn a 100% interest in the project, the Company assigned the vendors a NSR of 5% with a \$5,000,000 buy-down and a Sale Participation Right of 25% of gross proceeds received by the Company from any future sale of disposition of any interest in the property in the next ten years.

10) Eastgate Gold Property, Nevada USA

The Company holds a 15% interest in the Eastgate Gold Property, which is located northeast of the Rawhide Mine, and east of Fallon in Churchill, County, Nevada.

On April 3, 2012, the Company entered into a mineral property option and joint venture agreement with Blue Ridge Gold LLC. On January 3, 2017, the Company elected not to acquire any additional interest in the property.

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(Expressed in Canadian Dollars)

As at October 31, 2023 and 2022

5. EXPLORATION AND EVALUATION ASSETS – continued

Due to challenges and continued delays in coordinating exploration, the Company recorded an impairment of \$28,831 in the year ended October 31, 2022 and charged the costs to operations.

11) Grey Copper / Jonathan's Creek, Newfoundland

On December 13, 2022, the Company entered into an option agreement to acquire a 100% interest in the Grey Copper/Jonathan's Pond project located in Newfoundland.

Pursuant to the option agreement, the Company issued 700,000 common shares valued at \$70,000. To exercise the option, the Company must issue an additional 300,000 common shares within 12 months and 300,000 common shares within 24 months of closing.

The property is subject to a NSR of 1% with a \$1,000,000 buy-down.

During fiscal 2023, the Company suspended operation in Newfoundland and recorded an impairment to charge exploration and evaluation costs of \$114,009 to operations.

12) Little Bay Copper, Newfoundland

On April 11, 2022, the Company entered into an option agreement with Grassroots Prospecting and Prospect Generation Inc. to acquire a 100% interest in the Little Bay Copper project in Newfoundland.

Pursuant to the option agreement, the Company issued 150,000 common shares valued at \$30,000 and paid cash of \$12,000 during the year ended October 31, 2022. To exercise the option, the Company must pay an additional \$250,000 within 48 months of closing, and issue 3,150,000 common shares and incur \$4,250,000 in exploration expenditures in stages over the next 48 months.

On exercise of the option, there will be a 2% net smelter returns royalty with a buy-back of 1% for \$2,000,000.

During fiscal 2023, the Company suspended operation in Newfoundland and recorded an impairment to charge exploration and evaluation costs of \$42,000 to operations.

13) Loup Creek, British Columbia

On December 12, 2022, the Company entered into an option agreement to acquire a 100% interest in the Loup Creek project in BC.

To earn a 100% interest in the project, the Company assigned the vendors a NSR of 2% with a \$2,000,000 buy-down and a Sale Participation Right of 20% of gross proceeds received by the Company from any future sale or disposition of any interest in the property in the next ten years.

During fiscal 2023, the Company decided not to proceed with this property and recorded an impairment to charge exploration and evaluation costs of \$23,759 to operations.

KERMODE RESOURCES LTD.

Notes to the Financial Statements

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As at October 31, 2023 and 2022

5. EXPLORATION AND EVALUATION ASSETS – continued**14) Star of the West, British Columbia**

On October 28, 2022, the Company entered into an option agreement to acquire a 100% interest in the Star of the West project in British Columbia.

To earn a 100% interest in the project, the Company assigned the vendors a NSR of 2% with a \$5,000,000 buy-down which can be exercised in stages and a Sale Participation Right of 30% of gross proceeds received by the Company from any future sale of disposition of any interest in the property in the next ten years.

During fiscal 2023, the Company decided not to proceed with this property and recorded an impairment to charge exploration and evaluation costs of \$86,917 to operations.

15) Vidette Lake Gold Project property, British Columbia

On May 23, 2020, the Company entered into an option agreement with Strata GeoData Services Ltd. to acquire a 100% interest in the Vidette Lake gold project in British Columbia.

During the year ending October 31, 2021, the Company paid \$5,000 in cash; issued 10,000 common shares valued at \$4,000 and incurred \$59,195 of exploration expenditures. During the year ended October 31, 2022, the Company paid \$10,000 in cash. To exercise the option, the Company was required to pay an additional \$20,000 in cash, issue an additional 40,000 common shares of the Company, and expend an additional of \$165,000 in exploration over the next 2 years.

During the year ended October 31, 2022, the Company decided not to proceed with the option agreement, consequently the costs of \$88,195 were written off to operations.

16) 911 Knockout Project, British Columbia

On June 22, 2023, the Company entered into an option agreement to acquire a 100% interest in the 911 Knockout project in BC.

To earn a 100% interest in the project, the Company assigned the vendors a NSR of 2% with a \$2,000,000 buy-down and a Sale Participation Right of 20% of gross proceeds received by the Company from any future sale of disposition of any interest in the property in the next ten years.

During fiscal 2023, the Company decided not to proceed with this property and recorded an impairment to charge exploration and evaluation costs of \$7,936 to operations.

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6. RELATED PARTY TRANSACTIONS AND BALANCES

The Company had the following transactions in the normal course of operations with related parties:

	October 31, 2023	October 31, 2022
Director fees	\$ -	\$ -
Management fee	72,500	16,000
Share-based compensation to the Management and Directors	48,669	-

The Company paid or accrued \$72,500 (2022 - \$16,000) in management fees including the following: Cash payments for \$8,000 for previous CFO and \$5,000 to previous Corporate Secretary. Payments by shares-for-services to the CEO and CFO for 500,000 shares worth \$31,000, plus 175,000 shares valued at \$17,500 paid to the CFO as an inducement fee for joining the company.

Key management personnel of the Company are Directors, Chief Executive Officer, Chief Financial Officer, and Corporate Secretary.

Accounts payable and accrued liabilities include \$123,686 (2022 - \$116,419) due to current and former officers and directors and a company controlled by a current officer. These amounts are unsecured, non- interest bearing and have no fixed terms of repayment.

7. SHARE CAPITAL**Authorized share capital**

As of October 31, 2023, 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

During the year ended October 31, 2023, the Company consolidated its share capital on a ten (10) old for one (1) new basis. All share, option, warrant and per share amounts have been retroactively restated to reflect this consolidation.

As at October 31, 2023, the Company had 25,243,087 common shares issued and outstanding.

Share issuances:

For the fiscal year ended October 31, 2023, the Company completed the following transactions:

- (i) 648,557 shares in settlement of debts with value of \$64,856 (Note 4);
- (ii) 257,300 units to a private placement for cash proceeds of \$25,730. Each unit consisted of one common shares and one warrant to acquire one additional common shares for \$0.50 for a period of three years. The Company paid issuance costs of \$800;

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As at October 31, 2023 and 2022

7. SHARE CAPITAL-continued

- (iii) 500,000 common shares for cash proceeds of \$50,000;
- (iv) 8,800,000 common shares valued at \$842,500 for the acquisition of mineral properties (Note 5) and 2,574,213 common shares valued at \$244,839 for exploration work on mineral properties;
- (v) 500,000 common shares valued at \$31,000 for the services of CEO and CFO (Note 6).

For the year ended October 31, 2022, the Company completed the following transactions:

- (i) On December 7, 2022, the Company issued 898,020 common shares valued at \$269,406 in settlement of debt totalling \$137,238, resulting in a loss on settlement of \$132,167 (Note 4).
- (ii) On February 9, 2022, the Company issued 965,260 units at \$0.25 per unit for gross proceeds of \$241,315 pursuant to a private placement. Each unit consisted of one common share and one warrant to acquire an additional common share exercisable at \$0.50 per warrant, expiring February 9, 2024. The Company issued 16,000 finder's warrants, exercisable at \$0.50 per common share expiring February 9, 2024. The finders' warrants were valued at \$3,599 using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 1.12%; a volatility of 182%; an expected life of 2 years; a forfeiture rate of zero; and an expected dividend of zero. The Company incurred additional share issuance costs of \$6,054.
- (iii) On April 26, 2022, the Company issued 150,000 common shares valued at \$30,000 pursuant to the option to acquire the Little Bay Copper property (Note 5).
- (iv) On July 20, 2022, the Company issued 900,000 shares valued at \$135,000 pursuant to the option to acquire the Lucky Strike property (Note 5).

8. SHARE-BASED PAYMENTS

The Company adopted an equity incentive plan to govern the grant, administration and exercise of Security Based Compensation which may be granted to eligible Participant.

The Plan adopted September 19, 2022, allows for a "rolling 10% and fixed 10%" security based compensation plan. The Company shall have up to 1,196,301 Performance Share Units "PSU" and an additional number of stock options equal to 10% of the total number of shares of the Company at any time. As at October 31, 2023, the Company had 25,243,087 common shares issued and could issue up to 2,524,308 stock options at that time. The PSU have a Performance Multiplier up to ten times and term of three years from issuance, and the stock options have a strike price of \$0.50 and term of five years from issuance as detailed below.

a) Options

The following table summarizes the continuity of the Company's stock options.

KERMODE RESOURCES LTD.

Notes to the Financial Statements

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8. SHARE-BASED PAYMENTS – continued

	Number of Options	Weighted Average Exercise Price
Balance October 31, 2021	500,000	\$ 0.50
Cancelled	(200,000)	0.50
Granted	300,000	0.50
Balance October 31, 2022	600,000	0.50
Exercised	-	-
Cancelled	(300,000)	0.50
Granted	1,319,630	0.50
Balance, October 31, 2023	1,619,630	0.50

At October 31, 2023, the Company had outstanding stock options, enabling holders to acquire common shares as follows:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
100,000	100,000	0.50	February 15, 2027
100,000	100,000	0.50	April 5, 2027
100,000	100,000	0.50	August 26, 2027
119,630	119,630	0.50	November 1, 2027
600,000	600,000	0.50	June 6, 2028
600,000	600,000	0.50	June 23, 2028

The weighted average contractual life of the options outstanding at October 31, 2023 is 4.37 years (October 31, 2022 – 4.21 years). The total number of options exercisable as of October 31, 2023 is 1,619,630 (October 31, 2022 – 600,000).

The fair value of the options granted during the fiscal year ended October 31, 2023 and 2022 was determined using the Black-Scholes option pricing model using the following inputs:

Grant date	Risk-free interest rate	Expected Life	Volatility factor	Dividend yield
September 24, 2021	0.25%	5 years	250%	0%
February 15, 2022	0.25%	5 years	195%	0%
April 5, 2022	0.25%	5 years	198%	0%
August 26, 2022	0.25%	5 years	198%	0%
November 1, 2022	4.17%	5 years	261%	0%
June 6, 2023	4.91%	5 years	298%	0%
June 23, 2023	5.10%	5 years	298%	0%

b) Performance Share Units

The following table summarizes the continuity of the Company's performance share units ("PSU"s):

KERMODE RESOURCES LTD.

Notes to the Financial Statements

(Expressed in Canadian Dollars)

As at October 31, 2023 and 2022

8. SHARE-BASED PAYMENTS – continued

	Number of PSU	Performance Multiplier
Balance October 31, 2021	-	
Cancelled	-	
Granted	-	
Balance October 31, 2022	-	
Exercised	-	
Cancelled	(200,000)	Up to 10:1
Granted	1,200,000	Up to 10:1
Balance, October 31, 2023	1,000,000	

At October 31, 2023, the Company had outstanding PSU, enabling holders to acquire common shares as follows:

Number of PSU outstanding	Performance Multiplier	Expiry date
100,000	Up to 10:1	November 2, 2025
100,000	Up to 10:1	November 4, 2025
300,000	Up to 10:1	November 28, 2025
200,000	Up to 10:1	June 6, 2026
300,000	Up to 10:1	June 23, 2026

The weighted average contractual life of the PSU outstanding at October 31, 2023 is 2.34 years (October 31, 2022 – nil). The total number of PSU exercisable as of October 31, 2023 is nil (October 31, 2022 – nil); all PSU take more than one year to vest for recipients and all PSU were issued after November 1, 2022. The fair value of the PSU granted during the fiscal year ended October 31, 2023 and 2022 are recorded at fair value based on the market price of the common shares on grant and recorded over the estimated vesting period of one year. The Performance Multiplier is set by the Board at the time of exercise of any PSU. The specific value for the multiplier reflects the recipient's performance at the time when the Board of Directors of the Company decides to exercise the PSU. The Performance Multiplier may be up to ten to one. The Company assumes the Performance Multiplier shall be one to one for the calculation of stock-based compensation.

9. WARRANTS

The following common share purchase warrants entitle the holders thereof the right to purchase one common share for each common share purchase warrant. Warrant transactions and the number of share purchase warrants outstanding as of October 31, 2023, are summarized as follows:

KERMODE RESOURCES LTD.

Notes to the Financial Statements

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As at October 31, 2023 and 2022

9. WARRANTS-continued

	Issue Date	Exercise Price	Expiry	Number Outstanding as at October 31, 2023
Private Placement	February 9, 2022	\$0.50	February 9, 2024	965,260
Finder's Warrants	February 9, 2022	\$0.50	February 9, 2024	16,000
Private Placement	May 9, 2023	\$0.50	May 9, 2026	257,300
Finder's Warrants	May 9, 2023	\$0.50	May 9, 2026	8,000

The total number of warrants as at October 31, 2023 was 1,246,560. Subsequent to October 31, 2023, warrants to acquire 981,260 common shares exercisable at \$0.50 expired on February 9, 2024.

	Number of Warrants	Weighted Average Exercise Price
Balance October 31, 2021	-	\$ 0.50
Cancelled	-	0.50
Granted	981,260	0.50
Balance October 31, 2022	981,260	0.50
Exercised	-	-
Cancelled	-	0.50
Granted	265,300	0.50
Balance, October 31,	1,246,560	0.50

10. INCOME TAXES

A reconciliation of income taxes (recovery) at statutory rates with the reported taxes for the years ended October 31, 2023 and 2022 are as follows:

	2023	2022
Loss before income taxes	\$ 594,650	\$ (550,220)
Expected income tax (recovery)	(161,000)	(149,000)
Change in statutory rates and other	1,000	3,000
Permanent differences	39,000	20,000
Share issue costs	-	(2,000)
Adjustment to prior year provision versus statutory tax returns and expiry of non-capital	42,000	2,000
Change in unrecognized deductible	79,000	126,000
Income tax recovery	-	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

KERMODE RESOURCES LTD.

Notes to the Financial Statements

(Expressed in Canadian Dollars)

As at October 31, 2023 and 2022

10. INCOME TAXES-continued

2023 Expiry Date Range			2022
Temporary Differences			
Exploration and evaluation assets	\$ 1,495,000	No expiry date	\$ 1,667,000
Investment tax credit	5,000	2032 to 2034	5,000
Property and equipment	-	No expiry date	-
Share issue costs	6,000	2043 to 2047	8,000
Allowable capital losses	97,000	No expiry date	97,000
Non-capital losses available for future periods	5,301,000	2027 to 2043	4,833,000
Canada	5,301,000	2027 to 2043	4,833,000
USA	-		

11. 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 Company has made the following designations of its financial instruments:

• Cash	Amortized cost
• Receivables	Amortized cost
• Advances payable	Amortized cost
• Accounts payable and accrued liabilities	Amortized cost

The fair value of the Company's cash, receivables and advances payable and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these instruments.

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

Credit risk

The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to cash, and financial instruments included in amounts receivable is remote.

KERMODE RESOURCES LTD.

Notes to the Financial Statements

(Expressed in Canadian Dollars)

As at October 31, 2023 and 2022

11. FINANCIAL AND CAPITAL RISK MANAGEMENT - continued*Liquidity risk*

The Company's approach to managing liquidity risk is addressed in Note 1. As at October 31, 2023, the Company had a cash balance of \$3,903 available to settle current liabilities of \$283,116. All of the Company's financial liabilities are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

a) Interest rate risk

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

b) Foreign currency risk

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

c) Price risk

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

Capital management

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

KERMODE RESOURCES LTD.

Notes to the Financial Statements

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As at October 31, 2023 and 2022

11. FINANCIAL AND CAPITAL RISK MANAGEMENT - continued

The properties in which the Company currently has an interest are 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.

12. SEGMENTED INFORMATION

The Company operates in one segment, being the acquisition, exploration and evaluation of mineral properties in Canada and the United States (Note 5).

October 31, 2023	Canada	United States	Total
Mineral properties	\$1,064,792	\$-0-	\$1,064,792
October 31, 2022			
Mineral properties	\$218,040	\$-0-	\$218,040

13. SUBSEQUENT EVENTS

- 1) Subsequent to October 31, 2023, the Company issued 5,198,985 common shares for \$94,998 in spending pursuant to shares-for-services agreements with exploration services providers.
- 2) Subsequent to October 31, 2023, the Company issued 2,100,000 common shares for \$35,000 pursuant to shares-for-services agreements with the CEO and CFO.
- 3) On December 7, 2023, the Company entered into an option agreement to acquire a 100% interest in the Vigh Graphite project comprised of mineral claims located in British Columbia. Pursuant to the option agreement, the Company issued 1,500,000 common shares. To exercise the option, the Company must issue an additional 1,500,000 common shares within 36 months of closing. The property is subject to a NSR of 5% of which 3% is subject to a \$3,000,000 buy-down and a Sale Participation Right of 10% of gross proceeds received by the Company from any future sale or disposition of any interest in the property in the next ten years.

KERMODE RESOURCES LTD.

Notes to the Financial Statements

(Expressed in Canadian Dollars)

As at October 31, 2023 and 2022

13. SUBSEQUENT EVENTS-continued

- 4) On January 11, 2024, the Company entered into an option agreement to acquire a 100% interest in the Gold Rush project comprised of mineral claims located in British Columbia. Pursuant to the option agreement, the Company must pay cash of \$50,000 on or before the second anniversary and additional cash of \$100,000 on or before the fourth anniversary of closing. The property is subject to a NSR of 1% subject to a \$1,000,000 buy-down and a Sale Participation Right of 10% of gross proceeds received by the Company from any future sale or disposition of any interest in the property in the next ten years.
- 5) On February 12, 2024, the Company entered into an option agreement to acquire a 100% interest in the Ogie Gold project comprised of mineral claims located in British Columbia. Pursuant to the option agreement, the Company must pay cash of \$50,000 on or before the second anniversary and additional cash of \$100,000 on or before the fourth anniversary of closing. The property is subject to a NSR of 1% subject to a \$1,000,000 buy-down and a Sale Participation Right of 10% of gross proceeds received by the Company from any future sale or disposition of any interest in the property in the next ten years.
- 6) On February 16, 2024, the deal terms for the Eastgate BC property were changed. There are no share payments in this property purchase option agreement. The proposed consideration and method of payment are as follows: a net smelter return royalty equal to 1% one percent with buy-down of \$1,000,000 to remove the royalty. And a sales participation right equal to 60% sixty percent with a term of ten years.