

KERMODE RESOURCES LTD.

FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED OCTOBER 31, 2024 AND 2023

(Expressed in Canadian Dollars)

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, 2024 and 2023, and the statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2024 and 2023, 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. 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 the matter described below to be the 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 3 to the financial statements, the carrying amount of the Company's E&E Assets was \$1,169,522 as of October 31, 2024. As more fully described in Note 2 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 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 and expenditure requirements 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 Accounting Standards, 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 24, 2025

KERMODE RESOURCES LTD
Statements of Financial Position
(Expressed in Canadian Dollars)
As at October 31, 2024 and 2023

As at	Note	2024	2023
		\$	\$
Assets			
<i>Current assets</i>			
Cash		5,056	3,903
Receivables		21,745	9,314
Prepaid expenses		1,855	12,500
Total current assets		28,656	25,717
Exploration and evaluation assets	3	1,169,522	1,064,792
Total assets		1,198,178	1,090,509
Liabilities			
<i>Current liabilities</i>			
Accounts payable and accrued liabilities	4	317,314	253,308
Advances payable	4	29,808	29,808
Total current liabilities		347,122	283,116
Shareholders' equity			
Share capital	5	11,832,665	11,358,713
Contributed surplus	6	74,238	219,800
Deficit		(11,055,847)	(10,771,120)
Total shareholders' equity		851,056	807,393
Total liabilities and shareholders' equity		1,198,178	1,090,509

Nature of business and going concern (Note 1)

Subsequent events (Note 11)

Approved and authorized by the Board on February 24, 2025.

"Stephen Wall"
Director

"Ryan Hounjet"
Director

KERMODE RESOURCES LTD
Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
For the years ended October 31, 2024 and 2023

	Note	2024	2023
		\$	\$
Operating expenses			
Management fees	4	80,000	72,500
Office and sundry		1,522	3,412
Professional fees	4	80,357	27,836
Property investigation		9,830	3,892
Share-based compensation	4, 6	60,046	143,568
Transfer agent and filing fees		33,785	68,821
		265,540	320,029
Write-down of exploration and evaluation assets	3	224,795	274,621
Loss and comprehensive loss for the year		(490,335)	(594,650)
Basic and diluted loss per share		(0.01)	(0.04)
Weighted average number of common shares outstanding, basic and diluted		42,654,897	16,975,128

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

KERMODE RESOURCES LTD.
Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
For the years ended October 31, 2024 and 2023

	Note	Shares #	Share Capital \$	Contributed Surplus \$	Accumulated Deficit \$	Total \$
Balance, October 31, 2022		11,963,017	10,100,588	138,776	(10,239,014)	350
Private Placement	5	757,300	75,730	-	-	75,730
Share issue costs-cash	5	-	(800)	-	-	(800)
Shares issued for debt	5	648,557	64,856	-	-	64,856
Shares issued for Property	3, 5	11,374,213	1,087,339	-	-	1,087,339
Shares issued for services	4, 5	500,000	31,000	-	-	31,000
Share-based compensation	6	-	-	143,568	-	143,568
Stock options cancelled	6	-	-	(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
Private Placement	5	3,275,000	40,500	-	-	40,500
Share issue costs-cash	5	-	(2,000)	-	-	(2,000)
Share issued for Property	3, 5	26,849,884	349,813	-	-	349,813
Shares issued for services	4, 5	6,113,999	85,639	-	-	85,639
Share-based compensation	6	-	-	60,046	-	60,046
Stock options and PSUs forfeited	6	-	-	(205,608)	205,608	-
Loss for the year		-	-	-	(490,335)	(490,335)
Balance, October 31, 2024		61,481,970	11,832,665	74,238	(11,055,847)	851,056

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

KERMODE RESOURCES LTD
Statements of Cash Flows
(Expressed in Canadian Dollars)
For the years ended October 31, 2024 and 2023

	2024	2023
	\$	\$
Operating Activities		
Loss and comprehensive loss for the year	(490,335)	(594,650)
<i>Items not affecting cash:</i>		
Shares issued for management fees	85,639	31,000
Share based compensation	60,046	143,568
Write-down of exploration and evaluation assets	224,795	274,621
<i>Change in non-cash working capital items</i>		
Receivables	(2,384)	(5,741)
Prepaid expenses	10,645	12,984
Accounts payable and accrued liabilities	76,952	52,180
Net cash used in operating activities	(34,642)	(86,038)
Investing activities		
Exploration and evaluation assets	(2,705)	(15,030)
Net cash used in investing activities	(2,705)	(15,030)
Financing activities		
Issuance of common shares, net of issue costs	38,500	74,930
Net cash provided by financing activities	38,500	74,930
Change in cash for the year	1,153	(26,138)
Cash, beginning of the year	3,903	30,041
Cash, end of the year	5,056	3,903
Supplemental schedule of non-cash transactions:		
Shares issued for exploration and evaluation assets	349,813	1,087,339
Shares issued in settlement of debts	-	64,856
Finders' warrants	-	389
Exploration and evaluation expenditures included in accounts payable and accrued liabilities	4,109	19,003

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, 2024 and 2023

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 905 W Pender Street, 6th floor, Vancouver, 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 losses since inception and expects to incur further losses in the development of its business. On October 31, 2024, the Company had a working capital deficit (being an excess of current liabilities over current assets) of \$318,466 and at that date, the Company also had an accumulated deficit of \$11,055,847 which has been funded primarily by the issuance of equity.

The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its general operating expenses and to continue to explore its mineral properties. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. These factors may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. These financial statements do not reflect the adjustments to the carrying values of the assets and liabilities, the reported expenses and the statements of financial position classifications that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. MATERIAL ACCOUNTING POLICY INFORMATION

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.

KERMODE RESOURCES LTD.
Notes to the Financial Statements
(Expressed in Canadian Dollars)
As at October 31, 2024 and 2023

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.

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.

KERMODE RESOURCES LTD.
Notes to the Financial Statements
(Expressed in Canadian Dollars)
As at October 31, 2024 and 2023

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.

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, accrued liabilities and advances payable 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.

KERMODE RESOURCES LTD.
Notes to the Financial Statements
(Expressed in Canadian Dollars)
As at October 31, 2024 and 2023

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.

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:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 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
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

KERMODE RESOURCES LTD.
Notes to the Financial Statements
(Expressed in Canadian Dollars)
As at October 31, 2024 and 2023

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.

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.

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.

KERMODE RESOURCES LTD.
Notes to the Financial Statements
(Expressed in Canadian Dollars)
As at October 31, 2024 and 2023

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 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.

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.

KERMODE RESOURCES LTD.
Notes to the Financial Statements
(Expressed in Canadian Dollars)
As at October 31, 2024 and 2023

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.

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:

- a. Going concern

The Company's management has assessed the Company's ability to continue as a going concern. The factors considered by management include, among other things, the Company's cash position at October 31, 2024; its projected exploration and general operating costs; its ability to raise financing and its intention to continue operating the Company.

KERMODE RESOURCES LTD.
Notes to the Financial Statements
(Expressed in Canadian Dollars)
As at October 31, 2024 and 2023

b. 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.

c. Valuation of share-based compensation

The Company records all share-based compensation using the fair value method. The Company uses the market value for common shares and 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.
Notes to the Financial Statements
(Expressed in Canadian Dollars)
As at October 31, 2024 and 2023

New and revised standards adopted by the Company

The Company has applied the following standards and amendments for the first time for its annual reporting period commencing November 1, 2023:

- Definition of Accounting Estimates – Amendments to IAS 8;
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12.

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

New and revised standards issued but not yet effective

In April 2024, the IASB issued IFRS 18 – Presentation and Disclosure in Financial Statements that will replace IAS 1 – Presentation of Financial Statements. The new standard aims to improve the quality of financial reporting by: (i) requiring defined subtotals in the statement of profit or loss; (ii) requiring disclosure about management defined performance measures; and (iii) adding new principles for aggregation and disaggregation of information. The new standard will be effective for annual periods beginning on or after January 1, 2027. Early adoption is permitted. The Company is in the process of assessing the impact of the standard on the financial statements.

3. 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.
Notes to the Financial Statements
(Expressed in Canadian Dollars)
As at October 31, 2024 and 2023

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

	Beaton Gold	Eastgate BC	Khrysos & Silver Bell	Light- ning Peak	Lucky Strike	Mt. Sicker
	\$	\$	\$	\$	\$	\$
Balance, October 31, 2022	-	-	-	-	158,093	-
Acquisition Costs	120,000	-	150,000	-	90,000	-
Exploration	18,434	-	28,689	-	29,610	7,823
Balance, October 31, 2023	138,434	-	178,689	-	277,703	7,823
Acquisition Costs	12,000	-	-	-	9,000	25,000
Exploration	7,884	2,443	2,939	347	4,605	125,082
Balance, October 31, 2024	158,318	2,443	181,628	347	291,308	157,905

	Santa Anna	Slesse Creek	Trio	Vigh Graphite	Total
	\$	\$	\$	\$	\$
Balance, October 31, 2022	-	-	-	-	158,093
Acquisition Costs	210,000	40,000	-	-	610,000
Exploration	14,258	18,269	2,277	-	119,360
Balance, October 31, 2023	224,258	58,269	2,277	-	887,453
Acquisition Costs	-	4,000	-	30,000	80,000
Exploration	12,048	15,999	30,422	300	202,069
Balance, October 31, 2024	236,306	78,268	32,699	30,300	1,169,522

KERMODE RESOURCES LTD.
Notes to the Financial Statements
(Expressed in Canadian Dollars)
As at October 31, 2024 and 2023

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

	Caycuse	Tonya	Gold Rush	Ogie Gold	Grey Copper / Jonathan's Pond
		\$	\$	\$	\$
Balance, October 31, 2022	-	-	-	-	-
Acquisition Costs	162,500	-	-	-	70,000
Exploration	14,839	-	-	-	44,009
Write down	-	-	-	-	(114,009)
Balance, October 31, 2023	177,339	-	-	-	-
Acquisition Costs	-	-	-	-	-
Exploration	11,902	34,154	600	800	-
Write down	(189,241)	(34,154)	(600)	(800)	-
Balance, October 31, 2024	-	-	-	-	-

	Little Bay Copper	Loup Creek	Star of the West	911 Knock-out	Total
	\$	\$	\$	\$	\$
Balance, October 31, 2022	42,000	-	17,947	-	59,947
Acquisition Costs	-	-	-	-	232,500
Exploration	-	23,759	68,970	7,936	159,513
Write down	(42,000)	(23,759)	(86,917)	(7,936)	(274,621)
Balance, October 31, 2023	-	-	-	-	177,339
Acquisition Costs	-	-	-	-	-
Exploration	-	-	-	-	47,456
Write down	-	-	-	-	(224,795)
Balance, October 31, 2024	-	-	-	-	-

KERMODE RESOURCES LTD.
Notes to the Financial Statements
(Expressed in Canadian Dollars)
As at October 31, 2024 and 2023

Projects where the Company continues to advance the agreement:

1) Beaton Gold (formerly Black Panther), British Columbia

On August 10, 2023, the Company entered into an option agreement to acquire a 100% interest in the Black Panther project on Vancouver Island, British Columbia. On September 17, 2024, the Company amended the agreement reducing the size of exploration claims, changing the members of the vendor group, and changing the project name to Beaton Gold. The changes were approved by the TSX-V on October 1, 2024.

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 (issued October 4, 2024, valued at \$12,000);
- 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 was 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 or disposition of any interest in the property in the next ten years. The NSR has been changed to 1% with a \$1,000,000 buy-down, and the Sale Participation Right has been removed.

2) 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.

On February 16, 2024, the deal terms for the Eastgate BC property were amended, such that to earn a 100% interest in the project, the Company assigned the vendors a NSR of 1% with a \$1,000,000 buy-down and a Sale Participation Right of 60% of gross proceeds received by the Company from any future sale or disposition of any interest in the property for a period of 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 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, 2024 and 2023

4) Lightning Peak Project, British Columbia

On June 12, 2024, the Company entered into an option agreement to acquire a 100% interest in the Lightning Peak Project comprised of mineral claims located in British Columbia. The option agreement has an initial term of one year. There are no share payments under the option agreement, and there are no spending requirements.

The property is subject to a Sale Participation Right of 55% 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) 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.

The Company completed the option exercise on July 24, 2024. To exercise the option, the Company issued 900,000 common shares valued at \$135,000 in fiscal 2022, 900,000 common shares valued at \$90,000 in fiscal 2023 and 900,000 common shares value at \$9,000 on July 24, 2024. 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.

6) 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	\$Nil	Nil	\$Nil
Year 1	\$Nil	2,500,000	\$Nil
Year 2	\$10,000	2,000,000	\$Nil
Year 3	\$20,000	2,500,000	\$Nil
Year 4	\$30,000	3,000,000	\$Nil
Year 5	\$50,000	4,000,000	\$Nil
Year 6	\$100,000	6,000,000	\$Nil
Total	\$210,000	20,000,000	\$Nil

Pursuant to the option agreement, the Company issued 2,500,000 common shares valued at \$25,000 on October 4, 2024.

KERMODE RESOURCES LTD.
Notes to the Financial Statements
(Expressed in Canadian Dollars)
As at October 31, 2024 and 2023

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.

7) 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.

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.

8) 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 in fiscal 2023 and 400,000 common shares valued at \$4,000 on July 24, 2024. To exercise the option, an additional 900,000 common shares must be issued 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.

9) 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. On August 27, 2024, the Company changed the terms of the property option agreement as below.

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 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. In addition, the Company must make a cash payment of \$150,000 any time in the next 10 years payable equally to the vendors.

KERMODE RESOURCES LTD.
Notes to the Financial Statements
(Expressed in Canadian Dollars)
As at October 31, 2024 and 2023

10) Vigh Graphite Project, British Columbia

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 valued at \$30,000. 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.

Projects where the Company has ceased to advance the agreement:

11) 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, valued at \$10,000. As at October 31, 2024, the project's acquisition cost is \$162,500.

During fiscal 2024, the Company decided not to proceed with this property and recorded an impairment to charge exploration and evaluation costs of \$189,241 to operations.

12) Tonya, Nevada, USA

On August 16, 2023, the Company initiated an option agreement to lease certain unpatented mining claims owned by Gold Range LLC in Pershing County, Nevada, USA, called the Tonya project. The option provides the Company with the right but not the obligation to undertake a lease of the property.

During fiscal 2024, the Company decided not to proceed with this property and recorded an impairment to charge exploration and evaluation costs of \$34,154 to operations.

13) Rye Patch, Nevada, USA

On May 17, 2024, the Company initiated an option agreement to lease certain patented and unpatented mining claims owned by Gold Range LLC in Pershing County, Nevada, USA, called the Rye Patch project. The option provides the Company with the right but not the obligation to undertake a lease of the property.

During fiscal 2024, the Company decided not to proceed with this property, that had a book value of \$nil.

KERMODE RESOURCES LTD.
Notes to the Financial Statements
(Expressed in Canadian Dollars)
As at October 31, 2024 and 2023

14) Gold Rush Project, British Columbia

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.

During fiscal 2024, the Company decided not to proceed with this property and recorded an impairment to charge exploration and evaluation costs of \$600 to operations.

15) Ogie Gold Project, British Columbia

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.

During fiscal 2024, the Company decided not to proceed with this property and recorded an impairment to charge exploration and evaluation costs of \$800 to operations.

16) 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.

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

17) 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.

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

KERMODE RESOURCES LTD.
Notes to the Financial Statements
(Expressed in Canadian Dollars)
As at October 31, 2024 and 2023

18) 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.

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.

19) 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.

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.

20) 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.

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.

4. RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel of the Company are Directors, Chief Executive Officer, former Chief Financial Officer, and Corporate Secretary. The Company had the following transactions with key management personnel during the years ended October 31, 2024 and 2023:

	2024	2023
	\$	\$
Management fees	80,000	72,500
Professional fees	48,590	-
Share-based compensation to Management & Directors	23,512	48,669
	<u>152,102</u>	<u>121,169</u>

KERMODE RESOURCES LTD.
Notes to the Financial Statements
(Expressed in Canadian Dollars)
As at October 31, 2024 and 2023

During the year ended October 31, 2024, the Company incurred \$80,000 (2023 - \$72,500) in management fees including the following: \$60,000 (2023 - \$25,000) to the CEO, Peter Bell, and \$20,000 to the former CFO, Andrew Low, (2023 - \$19,500 to the CEO, Peter Bell; \$48,000 to the former CFO, Andrew Low, and \$5,000 to the former corporate secretary, Connor Sarsfield). During the year ended October 31, 2024, the Company incurred \$48,590 of professional fees to a Company where the current CFO, Matt Anderson, is a shareholder.

Accounts payable and accrued liabilities include \$173,720 (October 31, 2023 - \$123,686) due to current and former officers and directors, including Neil Briggs, Donald Moore, John Famy, Andrew Low, Peter Bell, Playfair Mining, Ricardo Ho and Shoni Bernard and a company, Malaspina Consultants Inc., where a current officer, Matt Anderson, is a shareholder. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Advances payable as of October 31, 2024 of \$29,808 (2023 - \$29,808) are due to a company with common former directors. The amount is due to Wasco Management Ltd., a company owned by Kathleen Mitchell, the spouse of former officer and director Donald Moore. The amount is non-interest bearing, unsecured with no specified terms of repayment.

5. SHARE CAPITAL

Authorized share capital

As of October 31, 2024, 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, 2024, the Company had 61,481,970 (2023 - 25,243,087) common shares issued and outstanding.

Share issuances:

For the year ended October 31, 2024, the Company completed the following transactions:

- (i) 20,349,884 shares issued valued at \$269,813 for exploration work on mineral properties
- (ii) 6,500,000 shares value at \$80,000 for the acquisition of mineral properties, including:
 - 1,500,000 shares issued at a value of \$30,000 pursuant to the option for the acquisition of the Vigh Graphite project (Note 3);

KERMODE RESOURCES LTD.

Notes to the Financial Statements

(Expressed in Canadian Dollars)

As at October 31, 2024 and 2023

- 900,000 shares issued at a value of \$9,000 pursuant to option for the acquisitions of the Lucky Strike project (Note 3);
 - 400,000 shares issued at a value of \$4,000 pursuant to the option for the acquisition of the Slesse Creek project (Note 3);
 - 2,500,000 shares issued at a value of \$25,000 pursuant to option for the acquisitions of the Mount Sicker project (Note 3); and
 - 1,200,000 shares issued at a value of \$12,000 pursuant to option for the acquisitions of the Beaton Gold (formerly Black Panther) project.
- (iii) 6,113,999 shares issued value at \$85,639 for management fees.
- (iv) On April 8, 2024, the Company completed the first tranche of a non-brokered private placement by issuing 525,000 units at \$0.02 per unit for gross proceeds of \$10,500. Each unit is comprised of one share and one warrant. Each warrant is exercisable at \$0.05 up to April 8, 2027. On May 27, 2024, the Company completed the second and final tranche of this private placement by issuing 250,000 units at \$0.02 per unit for gross proceeds of \$5,000. Each unit is comprised of one share and one warrant. Each warrant is exercisable at \$0.05 up to May 27, 2027. The Company incurred share issuance costs of \$1,000.
- (v) On August 22, 2024, the Company completed a non-brokered private placement by issuing 2,500,000 units at \$0.01 per unit for gross proceeds of \$25,000. Each unit is comprised of one share and one warrant. Each warrant is exercisable at \$0.05 up to August 21, 2027. The Company incurred share issuance costs of \$1,000.

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

- (i) 648,557 shares in settlement of debts with value of \$64,856.
- (ii) 2,574,213 shares valued at \$244,839 for exploration work on mineral properties.
- (iii) 8,800,000 shares valued at \$842,500 for the acquisition of mineral properties, including:
 - 2,000,000 shares issued at a value of \$162,500 pursuant to the option for the acquisition of the Caycuse property (Note 3);
 - 700,000 shares issued at a value of \$70,000 pursuant to the option to acquire the Grey Copper / Jonathan's Pond properties (Note 3);
 - 1,500,000 shares issued at a value of \$150,000 pursuant to the option for the acquisition of the Khrysos and Silver Bell projects (Note 3);
 - 400,000 shares issued at a value of \$40,000 pursuant to the option for the acquisition of the Slesse Creek project (Note 3);
 - 900,000 shares issued at a value of \$90,000 pursuant to the option for the acquisition of the Lucky Strike project (Note 3);
 - 1,200,000 shares issued at a value of \$120,000 pursuant to the option for the acquisition of the Black Panther project (Note 3); and
 - 2,100,000 shares issued at a value of \$210,000 pursuant to the option for the acquisition of the Santa Anna project (Note 3).
- (iv) 250,000 shares valued at \$13,500 issued in settlement of management fees charged by the CEO of the Company.
- (v) 250,000 shares valued at \$17,500 issued in settlement of management fees charged by the former CFO of the Company.

KERMODE RESOURCES LTD.
Notes to the Financial Statements
(Expressed in Canadian Dollars)
As at October 31, 2024 and 2023

- (vi) On May 7, 2023, the Company completed a private placement by issuing 257,300 units at \$0.10 per unit for gross proceeds of \$25,730. Each unit is comprised of one share and one warrant. Each warrant is exercisable at \$0.50 up to May 9, 2026. The Company incurred share issuance costs of \$800.
- (vii) On June 13, 2023, the Company completed a private placement by issuing 500,000 shares at \$0.10 per share for gross proceeds of \$50,000.

6. SHARE-BASED PAYMENTS

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

The Plan adopted January 17, 2024, allows for a “rolling up to 10% and fixed up to 10%” security-based compensation plan. Under the Plan, the maximum number of Options issuable will be 10% of the number of Shares outstanding as at the date of any Option grant. As at October 31, 2024, the Company had 61,481,970 common shares issued and could issue up to 6,148,197 stock options at that time. The maximum number of Performance Share Units (“PSUs”) is fixed at 10% of the number of Shares of the Company outstanding as at the date of implementation of the Plan.

a) Options

The following table summarizes the Company’s stock options outstanding at October 31, 2024 and 2023 and the changes for the years then ended.

	Number of options	Weighted average exercise price (\$ per share)	Weighted average remaining life (years)
Balance - October 31, 2022	600,000	0.50	4.21
Granted	1,319,630	0.50	
Cancelled	(300,000)	0.50	
Balance - October 31, 2023	1,619,630	0.50	3.63
Granted	3,400,000	0.05	
Forfeited	(3,819,630)	0.19	
Balance – October 31, 2024	1,200,000	0.20	4.19
Exercisable – October 31, 2024	1,200,000	0.20	4.19

KERMODE RESOURCES LTD.
Notes to the Financial Statements
(Expressed in Canadian Dollars)
As at October 31, 2024 and 2023

The balance of options outstanding at October 31, 2024 is as follows:

Expiry date	Exercise price \$	Number of options outstanding	Number of options exercisable
June 23, 2028	0.50	⁽¹⁾ 400,000	400,000
April 25, 2029	0.05	⁽²⁾ 800,000	800,000
		1,200,000	1,200,000

⁽¹⁾ Subsequent to October 31, 2024, these options were forfeited.

⁽²⁾ Subsequent to October 31, 2024, 400,000 of these options were forfeited.

The fair value of the options granted during the years ended October 31, 2024 and 2023 was determined using the Black-Scholes option pricing model using the following inputs:

Grant date	Risk-free interest rate	Expected Life	Volatility	Dividend yield
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%
April 25, 2024	3.89%	5 years	354%	0%
May 24, 2024	4.31%	5 years	354%	0%

b) Performance Share Units

The total number of PSUs exercisable as of October 31, 2024 is 300,000 (2023 – nil) as all PSU take more than one year to vest for recipients. The fair value of the PSU granted 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.

KERMODE RESOURCES LTD.
Notes to the Financial Statements
(Expressed in Canadian Dollars)
As at October 31, 2024 and 2023

The following table summarizes the Company's PSUs outstanding at October 31, 2024 and 2023 and the changes for the years then ended.

	Number of PSUs	Weighted average remaining life (years)
Balance – October 31, 2022	-	-
Issued	1,200,000	
Cancelled	(200,000)	
Balance - October 31, 2023	1,000,000	2.34
Issued	800,000	
Forfeited	(700,000)	
Balance – October 31, 2024	1,100,000	2.14

The balance of PSUs outstanding at October 31, 2024 is as follows:

Expiry date	Performance Multiple	Number of PSUs outstanding
November 4, 2025	Up to 10:1	⁽¹⁾ 100,000
November 29, 2025	Up to 10:1	100,000
June 22, 2026	Up to 10:1	⁽¹⁾ 100,000
April 25, 2029	Up to 10:1	⁽²⁾ 800,000
		1,100,000

⁽¹⁾ Subsequent to October 31, 2024, these PSUs were forfeited.

⁽²⁾ Subsequent to October 31, 2024, 400,000 of these PSUs were forfeited.

The fair value of the PSU granted during the fiscal year ended October 31, 2024 and 2023 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.

During the year ended October 31, 2024, the Company recognized share-based compensation of \$60,046 (2023 – \$143,568) of which \$12,046 (2023 – \$76,152) was related to vesting of PSUs and \$48,000 (2023 – \$67,416) was with respect to vesting of options.

KERMODE RESOURCES LTD.
Notes to the Financial Statements
(Expressed in Canadian Dollars)
As at October 31, 2024 and 2023

7. WARRANTS

The following common share purchase warrants entitle the holders thereof the right to purchase one common share for each common share purchase warrant. The following table summarizes the Company's common share purchase warrants outstanding at October 31, 2024 and 2023 and the changes for the years then ended.

	Number of warrants	Weighted average exercise price (\$ per share)	Weighted average remaining life (years)
Balance - October 31, 2022	981,260	0.50	1.28
Issued	265,300	0.50	
Balance - October 31, 2023	1,246,560	0.50	1.52
Issued	3,275,000	0.05	
Expired	(981,260)	0.50	-
Balance - October 31, 2024	3,540,300	0.08	2.64

The balance of common share purchase warrants outstanding at October 31, 2024 is as follows:

Expiry date	Type	Exercise price \$	Number of warrants out- standing
May 9, 2026	Private Placement	0.50	257,300
May 9, 2026	Finders' Warrants	0.50	8,000
April 8, 2027	Private Placement	0.05	525,000
May 27, 2027	Private Placement	0.05	250,000
August 21, 2027	Private Placement	0.05	2,500,000
			3,540,300

KERMODE RESOURCES LTD.
Notes to the Financial Statements
(Expressed in Canadian Dollars)
As at October 31, 2024 and 2023

8. INCOME TAXES

A reconciliation of income taxes (recovery) at statutory rates with the reported taxes for the years ended October 31, 2024 and 2023 are is as follows:

	2024	2023
	\$	\$
Loss before income taxes	490,335	594,650
Expected income tax (recovery)	(132,000)	(161,000)
Change in statutory rates and other	-	1,000
Permanent differences	16,000	39,000
Share issue costs	-	-
Adjustment to prior year provision versus statutory tax returns and expiry of non-capital losses	(66,000)	42,000
Change in unrecognized deductible temporary differences	182,000	79,000
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:

	2024	Expiry Date Range	2023
	\$		\$
Temporary Differences			
Exploration and evaluation assets	863,802	No expiry date	1,495,000
Investment tax credit	5,000	2032 to 2034	5,000
Property and equipment	-	No expiry date	-
Share issue costs	4,022	2043 to 2047	6,000
Allowable capital losses	97,000	No expiry date	97,000
Non-capital losses available for future periods	5,540,251	2027 to 2044	5,301,000
Canada	5,540,251	2027 to 2044	5,301,000
USA	-		-

KERMODE RESOURCES LTD.
Notes to the Financial Statements
(Expressed in Canadian Dollars)
As at October 31, 2024 and 2023

9. 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, 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

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and receivables balances. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to cash and amounts receivable is remote.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is addressed in Note 1. As at October 31, 2024, the Company had a cash balance of \$5,056 (2023 - \$3,903) available to settle current liabilities of \$347,122 (2023 - \$283,116). All of the Company's financial liabilities are subject to normal trade terms.

KERMODE RESOURCES LTD.
Notes to the Financial Statements
(Expressed in Canadian Dollars)
As at October 31, 2024 and 2023

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 conducts the majority of its business in Canada and is therefore not exposed to 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.

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. 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.

KERMODE RESOURCES LTD.
Notes to the Financial Statements
(Expressed in Canadian Dollars)
As at October 31, 2024 and 2023

10. SEGMENTED INFORMATION

The Company operates in one segment, being the acquisition, exploration and evaluation of mineral properties in Canada (Note 3). At October 31, 2024 and 2023, all of the Company's active assets and liabilities were located in Canada with a minimal amount in the USA.

11. SUBSEQUENT EVENTS

- a) Subsequent to October 31, 2024, the Company issued 4,549,863 common shares for \$45,499 in settlement of charges pursuant to shares-for-services agreements with exploration services providers.
- b) Subsequent to October 31, 2024, the Company issued 250,000 common shares for \$2,500 pursuant to shares-for-services agreements with the CFO.
- c) Subsequent to October 31, 2024, 800,000 options were forfeited.
- d) Subsequent to October 31, 2024, 600,000 PSUs were forfeited.