

KENNA RESOURCES CORP.

CONDENSED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2014

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
PREPARED BY MANAGEMENT**

The accompanying condensed interim financial statements of Kenna Resources Corp. (the “Company”) comprised of the Condensed Interim Statements of Financial Position as at March 31, 2014 and December 31, 2013, and the Condensed Interim Statements of Operations and Comprehensive Loss, Condensed Interim Statements of Changes in Equity and Condensed Interim Statements of Cash Flows for the three months ended March 31, 2014 and 2013 are the responsibility of the Company’s management. The independent external auditors of the Company have not reviewed these financial statements.

KENNA RESOURCES CORP.

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

(See Note 1 - Nature of operations and going concern)
(Expressed in Canadian dollars)

	March 31, 2014	December 31, 2013
	(Unaudited)	(Audited)
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 288,877	\$ 310,713
Accounts receivable and prepaid expenses	9,493	2,696
	<u>298,370</u>	<u>313,409</u>
Non-current assets		
Exploration and evaluation assets (Note 3)	<u>242,384</u>	<u>242,384</u>
	<u>\$ 540,754</u>	<u>\$ 555,793</u>
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable and accrued liabilities	<u>\$ 8,578</u>	<u>\$ 10,381</u>
<u>SHAREHOLDERS' EQUITY</u>		
Share capital (Note 4)	1,054,453	1,054,453
Contributed surplus	112,795	112,795
Deficit	(635,072)	(621,836)
	<u>532,176</u>	<u>545,412</u>
	<u>\$ 540,754</u>	<u>\$ 555,793</u>

"Todd L. Lahti" Director

"Corey J. Giasson" Director

KENNA RESOURCES CORP.

CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

FOR THE THREE MONTHS ENDED MARCH 31,

(See Note 1 - Nature of operations and going concern)

(Expressed in Canadian dollars)

(Unaudited)

	<u>2014</u>	<u>2013</u>
Revenue		
Interest income	<u>\$ 700</u>	<u>\$ 1,046</u>
Expenses		
Accounting and audit	4,050	2,500
Legal	341	-
Consultants	-	-
Insurance	3,148	1,599
Transfer agent, listing and filing fees	6,332	6,787
Travel	-	106
Office and miscellaneous	65	108
	<u>13,936</u>	<u>11,100</u>
Net and comprehensive loss	<u>\$ (13,236)</u>	<u>\$ (10,054)</u>
Basic and diluted loss per common share	<u>\$ (0.002)</u>	<u>\$ (0.001)</u>
Weighted average number of common shares outstanding	<u>8,416,975</u>	<u>8,416,975</u>

KENNA RESOURCES CORP.

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31,

(See Note 1 - Nature of operations and going concern)

(Expressed in Canadian dollars)

(Unaudited)

	<u>Common Shares</u>	<u>Share Capital</u>	<u>Contributed Surplus</u>	<u>Deficit</u>	<u>Total</u>
Balance, December 31, 2012	8,416,975	\$ 1,054,453	\$ 112,795	\$ (568,877)	\$ 598,371
Net and comprehensive loss	-	-	-	(10,054)	(10,054)
Balance, March 31, 2013	<u>8,416,975</u>	<u>\$ 1,054,453</u>	<u>\$ 112,795</u>	<u>\$ (578,931)</u>	<u>\$ 588,317</u>
Balance, December 31, 2013	8,416,975	\$ 1,054,453	\$ 112,795	\$ (621,836)	\$ 545,412
Net and comprehensive loss	-	-	-	(13,236)	(13,236)
Balance, March 31, 2014	<u>8,416,975</u>	<u>\$ 1,054,453</u>	<u>\$ 112,795</u>	<u>\$ (635,072)</u>	<u>\$ 532,176</u>

KENNA RESOURCES CORP.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31,

(See Note 1 - Nature of operations and going concern)

(Expressed in Canadian dollars)

(Unaudited)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Net loss	\$ (13,236)	\$ (10,054)
Net changes in non-cash working capital items related to operations:		
Accounts receivable and prepaid expenses	(6,797)	1,959
Accounts payable and accrued liabilities	(1,803)	(1,422)
	<u>(21,836)</u>	<u>(9,517)</u>
Cash flows from investing activities:		
Exploration and evaluation assets	-	(650)
	<u>-</u>	<u>(650)</u>
Cash flows from financing activities:		
Deferred share issue costs	-	-
Accounts payable and accrued liabilities	-	-
	<u>-</u>	<u>-</u>
Net decrease in cash during the period	(21,836)	(10,167)
Cash and cash equivalents, beginning of the period	310,713	368,657
	<u>310,713</u>	<u>368,657</u>
Cash and cash equivalents, end of the period	<u>\$ 288,877</u>	<u>\$ 358,490</u>

KENNA RESOURCES CORP.
(formerly Kenna Capital Corp.)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2014

1. Nature of operations and going concern

Kenna Capital Corp. was incorporated under the provisions of *The Business Corporations Act* (Saskatchewan) on September 25, 2009. On June 8, 2012, Kenna Capital Corp. changed its name to Kenna Resources Corp. (the “Company”). The Company’s head office is located at 1005 – 201 1st Avenue S., Saskatoon, SK.

On March 28, 2012, the Company completed its Qualifying Transaction, as defined in TSX Venture Exchange Corporate Finance Manual Policy 2.4 - *Capital Pool Companies*. The transaction involved the acquisition of 100% of all rights, title and interests in the Elizabeth Lake copper, silver and gold property located in northern Saskatchewan. The Company is now listed as a Tier 2 mining company and is no longer considered a Capital Pool Company. The Company’s shares trade on the TSX Venture Exchange under symbol “KNA”. These financial statements were approved by the Company’s Board of Directors on May 23, 2014.

Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the three months ended March 31, 2014, the Company had a net loss from operations of \$13,236 and as at March 31, 2014, had a deficit in the amount of \$635,072. The Company’s continuing operations, as intended, are dependent on its ability to continue to raise adequate financing in order to explore and develop resource properties. The outcome of these matters cannot be predicted at this time.

There can be no certainty as to the ability of the Company to recover its exploration and evaluation assets or to obtain sufficient financing to continue its operations. Accordingly, there is material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. These financial statements do not reflect any adjustments or other changes that may be required should the Company be unable to continue as a going concern. Such adjustments and changes could be material.

2. Significant accounting policies

Statement of compliance

These condensed interim financial statements were prepared using International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting and have been prepared following the same accounting policies as the annual financial statements for the year ended December 31, 2013, but do not include all of the information required for annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2013, which were prepared in accordance with IFRS as issued by the International Accounting Standards Board.

KENNA RESOURCES CORP.
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2014

2. Significant accounting policies (continued)

New standards effective January 1, 2014

The following new standards have been adopted in these condensed interim financial statements but have not had a material impact on the Company.

- IFRS 9: Financial Instruments
- IAS 32: Financial Instruments
- IFRIC 21: Levies

3. Exploration and evaluation assets

The components of exploration and evaluation assets are as follows:

	<u>March 31</u> 2014	<u>December 31</u> 2013
Acquisition of mineral rights	\$ 181,418	\$ 181,418
Geophysical surveys	<u>60,966</u>	<u>60,966</u>
	<u>\$ 242,384</u>	<u>\$ 242,384</u>

On March 28, 2012, the Company completed its Qualifying Transaction, involving the acquisition of 100% of all rights, title and interests in the Elizabeth Lake copper, silver and gold project located in northern Saskatchewan (such property and interests are collectively referred to as the "Property").

As consideration for the acquisition of the Property, the Company issued an aggregate of 1,000,000 common shares to BEC International Corp. (the "Vendor") at an ascribed price of \$0.12 per share (Note 5) and paid \$50,000 in cash consideration to the Vendor. In addition, the Company granted to the Vendor a two percent (2%) royalty on production from the Property, to a maximum amount payable of \$5,000,000. A finder's fee was paid to an arm's length party through the issuance of 75,000 common shares of the Company at a deemed price of \$0.12 per share.

Based on expenditures incurred to date, the Company's mineral claims are in good standing to 2015.

4. Share capital

The authorized share capital of the Company consists of an unlimited number of Class A shares with no par value ("Common Shares" or "Shares").

In 2009, the Company issued 3,845,100 Shares at a price of \$0.10 per Share for total cash proceeds of \$384,510, all of which were deposited in escrow (the "Escrow Shares") pursuant to an escrow agreement dated March 24, 2010.

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MARCH 31, 2014

4. Share capital (continued)

Pursuant to the escrow agreement, 10% of the Escrow Shares were released from escrow upon issuance of a Final Exchange Bulletin by the TSX-V related to the completion of the Company's Qualifying Transaction. The remainder of the Escrow Shares will be released from escrow in six equal tranches of 15% every six months thereafter for a period of 36 months. These Escrow Shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities.

On April 7, 2010, the Company completed its initial public offering (the "Offering") of 3,493,500 Shares at a price of \$0.20 per Share for aggregate gross proceeds of \$698,700. The Offering was made pursuant to a prospectus dated March 24, 2010, filed with the British Columbia Securities Commission, the Alberta Securities Commission, the Saskatchewan Financial Services Commission, The Manitoba Securities Commission and the Ontario Securities Commission.

On March 28, 2012, the Company issued 1,075,000 Shares at an ascribed price of \$0.12 per Share to acquire the Elizabeth Lake copper, silver and gold project (Note 3).

Stock option plan

The Company has adopted an incentive stock option plan (the "Option Plan"), which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with TSX-V requirements grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase Shares.

Options granted vested immediately and expire the earliest of five years after issuance, the 90th day after a holder ceases to be a director or officer of the Company, or one year after the death of the holder.

A summary of the Company's stock option plan and changes during the period is presented below.

	March 31, 2014		December 31, 2013	
	Options	Price	Options	Price
Outstanding, beginning of period	795,015	\$ 0.20	733,860	\$ 0.20
Options granted	-	-	183,465	0.20
Options expired	-	-	(122,310)	0.20
Outstanding, end of period	<u>795,015</u>	<u>\$ 0.20</u>	<u>795,015</u>	<u>\$ 0.20</u>
Weighted average remaining life	2.59 years		2.84 years	

5. Related party transactions

The Board of Directors and management do not receive compensation other than stock options (Note 4).

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MARCH 31, 2014

6. Capital management

The Company's objective is to maintain a strong capital base so as to have sufficient resources to acquire, explore and develop resource properties. The Company is not subject to externally imposed capital requirements.

7. Financial instruments

Fair value of financial instruments

The carrying amount of current financial assets and current financial liabilities approximate their fair value because of the short-term maturities of these items.

Credit risk

Credit risk is the risk of financial loss to the Company if a counter-party to a financial instrument fails to meet its contractual obligations; the Company's maximum exposure to credit loss is the book value of its financial instruments. The Company is not exposed to any significant credit risk as at March 31, 2014. The Company's cash is deposited with a major Canadian chartered bank and is held in highly-liquid investments. The Company's receivables consist of commodity taxes receivables, and are therefore not subject to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. All of the Company's financial liabilities are due within one year. The Company manages liquidity risk through the management of its capital structure. As at March 31, 2014, the Company had a total of \$288,877 in cash and cash equivalents.

Market risk analysis

Market risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company does not hold any financial instruments with market risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company does not have any interest-bearing debt. The Company's cash and cash equivalent investments are not subject to interest rate risk.