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# **Financial Ratios for Mining Exploration Public Company Kermode Resources, 2005-2024**

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## Abstract

Financial statistics can be used to compare a mining exploration company's performance over time or to other companies. For example, how much money was spent on exploration relative to the total amount of financing? These statistics can be helpful for investors who want to find management teams that prioritize exploration spending, an essential ingredient for success in mining exploration.

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## Financial Ratios for Mining Exploration Public Company Kermode Resources, 2005-2024

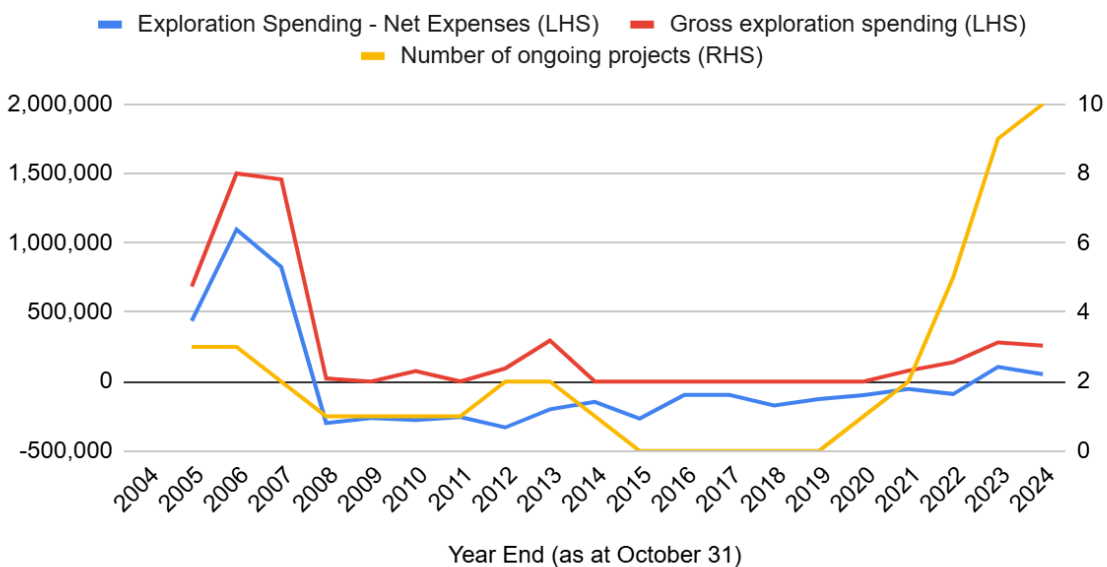
This paper presents historical data to illustrate fundamental financial statistics for a mining exploration company called Kermode Resources Ltd. As a public company, there is extensive data on the business to investigate questions like this: how much does the company spend on exploration activities versus “everything else”? The financial ratios here can help give shareholders a narrative view of Kermode’s business based on long-term trends. In addition, the article offers a conceptual framework to guide further development and refinement of financial ratios for different companies.

### **Exploration Spending versus Corporate Overhead**

There are many ways to measure an exploration company’s rate of activity. For example, since I became CEO in 2021, Kermode has set a record-high number of active projects each year. I believe more projects are better for shareholders because they provide opportunities to win from exploration or business development initiatives (Muessig, 1993).

The Chart of Table 4 shows the difference between “Exploration Spending minus Net Expenses” to measure the relative size of corporate overhead costs and exploration spending. In 2023 and 2024, the company spent more on exploration than overhead costs for the first time since 2007. This change was driven by the new strategy I developed as CEO: using shares-for-services to fund exploration work for more projects.

### An example of "Exploration & Overhead Ratios" for Kermode (Table 4)



The complete data for the chart above is provided in Table 2 (RHS) and Table 4 (LHS) in the later section of this article. This chart offers one way to compare the total amount of corporate overhead spending against exploration spending. The Gross Exploration Spending is calculated in Table 2 below using data from the notes to the audited annual financial statements. The “Net Expenses (Expenses minus Security Compensation)” are estimated to measure the direct cash costs associated with corporate overhead and remove the main non-cash cost called Security Based Compensation. The line items for “Expenses” and “Security-Based Compensation” are taken from the STATEMENTS OF COMPREHENSIVE LOSS. The difference “Exploration Spending minus Net Expenses” is calculated to show the relative size of corporate overhead costs and exploration spending.

There are many additional factors to consider when measuring management priorities based on spending. For example, my prior article (Bell, 2024) compares exploration spending to market capitalization. An initial example of financial ratios is from my prior article (Bell, 2024), where I introduce the “Good” & “Bad” ratios—defined  $G = \text{Exploration Spending} / \text{Market Capitalization}$  and  $B = \text{Overhead Spending} / \text{Market Capitalization}$ . The current article does not consider market capitalization.

The current article focuses on financial statistics that can be calculated from Kermodé's annual audited financial statements going back 20 years. My priority is exploration, as any spending that advances the speculative line of the business is capitalized on one of the company's projects. The other primary type of spending, called overhead costs, is meant to include everything else. This article introduces these basic concepts and illustrates the interpretations required to implement the calculations with one company over time: Kermodé from 2005 to 2024.

### **Conceptual Framework for Financial Ratios of Mining Exploration Companies**

I created this new list of financial statistics from things that only require the audited annual financial statements to calculate. I start with seven items that are sorted based on their conceptual significance to me:

1. Gross accumulated deficit
2. Number of ongoing projects
3. Gross acquisition costs
4. Gross project impairment charges
5. Gross exploration spending
6. Gross overhead spending
7. Security-based compensation costs

These first seven concepts provide some basic building blocks to understand a mining

exploration company over time. For example, the gross accumulated deficit gives an immediate impression of the relative size of the company's capital destruction over time. If the company has a more significant accumulated deficit, the investors who financed the deficit may expect to see more significant accomplishments in the company's projects. The gross accumulated deficit is a vital catch-all when assessing a mining exploration company.

These first seven financial statistics allow us to compare the differences between various items. For example, the difference of gross acquisitions minus gross impairments presents an essential measure of the relative growth of a mining company's project portfolio. However, it doesn't necessarily capture all aspects of project growth as Kermode has entered into property option agreements that don't require any payments of shares or cash, like the Lightning Peak project (Kermode Resources, 2025a).

Another ratio to consider is gross exploration divided by gross overhead spending. Does the mining exploration company spend more on exploration or overhead? The details of exactly how to calculate these statistics may vary from company to company. While companies may have differences, they all have the same accounting standards, and we can standardize some of our analyses between companies or against themselves over time.

The next set of financial statistics introduces essential information about the activity rate of the company:

8. Number of shares
9. Gross financing proceeds
10. Gross sales of project proceeds

The final set of financial statistics covers other essential items from the company's financial statements:

11. cash and cash equivalents on hand
12. gross spending by counterparties on projects where we have an interest
13. corporate overhead expenditure on advertising, business development, investor relations, and other types of promotion
14. Share price range for financings
15. Share price range for property acquisitions

Management's strategy drives decisions that affect the financial statistics discussed in this conceptual framework. There is a tradeoff between the general aspects of this conceptual framework versus the details required to implement the analysis for any particular company. However, the list of financial statistics presented here is meant to cover essential factors for all mining exploration companies. A niche business community is characterized by companies that do not earn revenue but fund speculative project development spending using risk capital from equity.

How does this approach compare with stock performance? For example, how do financings compare with the share price range for secondary market trading; does the company always finance at low prices in the trading range annually? Or can we compare that with some measure of geological success? There are many ways to expand the analysis beyond the scope of my work on the Kermode case study or further refine the details of treatments of various line items within the financial statements.

### **Historical Data for Kermode 2006-2024**

Kermode Resources Ltd. (2025b) contains the 19 files of audited annual financial statements that I used for this report. All these financials are available on SEDAR+. The economic statistics here can help give shareholders a narrative view of Kermode's business based on long-term trends. For example, the number of active projects has set new yearly records since I became CEO in 2021. More projects are better for shareholders because they provide more opportunities to win with ongoing exploration and business development initiatives.

I prepared these statistics for the 2024 Annual MD&A, but the auditors suggested we only include three years of data as the minimum disclosure requirement. I believe shareholders would benefit from learning this information for Kermode or any other mining exploration company, so I wrote this article to share the financial calculations and conceptual framework I used to guide the exercise. The following pages present financial ratios for Kermode from the 2006-2024 audited annual financial statements to show long-term trends using essential line items and discuss how they reflect management's strategy.

Table 1 shows the company's shares in the fiscal year. The total has been adjusted for the years before 2023 to reflect the Consolidation (10:1) that happened on October 6, 2023. The Number of Shares was taken from the Statements of Changes in Shareholders' Equity (Deficiency).

Table 1: Number of Shares	
Year End (as at October 31)	Number of Shares
2024	61,481,970
2023	25,243,087
2022	11,963,017
2021	9,049,737
2020	6,539,737
2019	6,539,737
2018	6,539,737
2017	6,539,737
2016	6,539,737
2015	6,539,737
2014	6,539,737
2013	6,219,737
2012	4,699,737
2011	4,098,737
2010	3,958,737
2009	3,958,737
2008	3,958,737
2007	3,758,737
2006	3,737,487
2005	2,015,695
2004	1,503,195

Table 2 provides information on the total amount of financings compared with the amount of exploration spending. The “Gross financing proceeds” column is taken from the “Private placement” line item on the Statements of Changes in Shareholders’ Equity (Deficiency). The “Number of ongoing projects” equals the number of projects reported in the table from the note to the financial statements titled “EXPLORATION AND EVALUATION ASSETS,” where the Company continues to advance the project.

Year End (as at October 31)	Gross Financing Proceeds	Gross Exploration Spending	Number of Ongoing Projects
2024	40,500	259,355	10
2023	75,730	282,766	9
2022	241,315	138,855	5
2021	250,000	79,195	2
2020	0	0	1
2019	0	0	0
2018	0	0	0
2017	0	0	0
2016	0	0	0
2015	0	0	0
2014	251,540	0	1
2013	715,000	296,107	2
2012	300,000	95,238	2
2011	0	0	1
2010	0	75,182	1
2009	0	0	1
2008	0	22,480	1
2007	200,000	1,456,346	2
2006	0	1,500,526	3
2005	4,533,812	685,476	3
2004	1,000,000		



Note:

- The calculation for gross exploration in 2024 and 2023 (Gross Exploration Spending) is equal to the spending on projects that the company continues to advance and ones it abandoned, as reported in the table from the note to the financial statements titled “EXPLORATION AND EVALUATION ASSETS” combined with the “Property investigation” line item from the Statements of Loss and Comprehensive Loss.

2024:  $202,069+47,456+9,830=259,355$

2023:  $134,200+144,674+3,892=282,766$

- The calculation for gross exploration spending in 2022 (Gross Exploration Spending) includes the Prospecting line item from the table in the note to the financial statements titled “EXPLORATION AND EVALUATION ASSETS” and the Property investigation line item included in the Operating expenses section of the Statements of Loss and Comprehensive Loss.

2022:  $41,634+97,221=138,855$

Table 3 compares the relative spending on new projects versus the impairment of old ones and project sales. The “Gross Acquisition Costs” are equal to the “Acquisition Costs” in the table from the note to the financial statements titled “EXPLORATION AND EVALUATION ASSETS.” The “Gross Project Impairment Charges” are equal to the “Writedown” in the table from the note to the financial statements titled “EXPLORATION AND EVALUATION ASSETS.” The “Gross Proceeds from Project Sales” is also taken from the table from the note to the financial statements titled “EXPLORATION AND EVALUATION ASSETS.”

Year End (as at October 31)	Gross Acquisition Costs	Gross Project Impairment Charges	Gross Proceeds from Project Sales
2024	80,000	224,795	0
2023	842,500	274,621	0
2022	187,000	117,026	0
2021	15,030	0	0
2020	0	0	0
2019	0	0	0
2018	0	551,000	551,000
2017	0	0	0
2016	0	300,500	0
2015	0	237,088	300,500
2014	219,191	172,352	0
2013	239,801	295,045	0
2012	314,360	232,227	0
2011	180,000	0	0
2010	0	3,407,074	0
2009	0	0	0
2008	0	0	0
2007	0	828	0
2006	150,000	0	0
2005	107,078	0	0

Note:

- The calculation for Gross Acquisition costs in 2023 equals the spending on all projects the company has abandoned and continued to advance.  
2023:  $772,500+70,000=842,500$ .
- The Gross Project Impairment Charges calculation equals the amount of project acquisition costs and exploration spending written down.  
2015:  $172,352+64,736=237,088$   
2012:  $180,000+52,227=232,227$   
2010:  $432,540+2,974,534=3,407,074$

Table 4 compares the total amount of corporate overhead spending against exploration spending. The line items for “Expenses” and “Security-Based Compensation” are taken from the STATEMENTS OF COMPREHENSIVE LOSS. The “Net Expenses (Expenses minus Security Compensation)” represents the direct cash and non-cash costs associated with corporate overhead. The Gross Exploration Spending is calculated in Table 2. The difference “Exploration Spending minus Net Expenses” is calculated to show the relative size of corporate overhead costs and exploration spending.

Year End (as at October 31)	Expenses	Security Based Compensation	Net Expenses (Expenses minus Security-Based Compensation)	Gross Exploration Spending	Exploration Spending minus Net Expenses
2024	265,540	60,046	205,494	259,355	53,861
2023	320,029	143,568	176,461	282,766	106,305
2022	301,027	72,634	228,393	138,855	-89,538
2021	235,572	102,255	133,317	79,195	-54,122
2020	97,743	0	97,743	0	-97,743
2019	125,719	0	125,719	0	-125,719
2018	171,733	0	171,733	0	-171,733
2017	95,234	0	95,234	0	-95,234
2016	96,294	0	96,294	0	-96,294
2015	266,485	0	266,485	0	-266,485
2014	146,121	0	146,121	0	-146,121
2013	495,949	0	495,949	296,107	-199,842
2012	427,021	1,346	425,675	95,238	-330,437
2011	442,050	185,478	256,572	0	-256,572
2010	351,344	0	351,344	75,182	-276,162
2009	328,315	65,987	262,328	0	-262,328
2008	381,485	59,709	321,776	22,480	-299,296
2007	680,748	49,986	630,762	1,456,346	825,584
2006	856,039	451,482	404,557	1,500,526	1,095,969
2005	325,961	78,196	247,765	685,476	437,711

Table 5 compares the total Accumulated Deficit and the Number of Shares. The Accumulated Deficit and Number of Shares are taken from the Statements of Changes in Shareholders' Equity. The ratio "Accumulated Deficit divided by Number of Shares" is meant to reflect the price of all historical financings for the Company since inception and can be compared with the share price in the primary market based on past financings or in the secondary market based on trading records at the time.

Year End (as at October 31)	Accumulated Deficit	Number of Shares	Accumulated Deficit divided by Number of Shares
2024	11,055,847	61,481,970	0.18
2023	10,771,120	25,243,087	0.43
2022	10,239,014	11,963,017	0.86
2021	9,728,506	9,049,737	1.08
2020	9,558,333	6,539,737	1.46
2019	9,460,590	6,539,737	1.45
2018	9,331,453	6,539,737	1.43
2017	8,969,839	6,539,737	1.37
2016	9,492,055	6,539,737	1.45
2015	9,280,741	6,539,737	1.42
2014	8,815,918	6,539,737	1.35
2013	8,773,990	6,219,737	1.41
2012	8,098,817	4,699,737	1.72
2011	8,161,140	4,098,737	1.99
2010	7,537,666	3,958,737	1.90
2009	3,831,437	3,958,737	0.97
2008	3,586,647	3,958,737	0.91
2007	3,267,142	3,758,737	0.87
2006	3,214,553	3,737,487	0.86
2005	2,399,094	2,015,695	1.19

## Discussion

The financial data from Kermode for 2006-2024 includes a natural experiment in which the company experienced a significant change in leadership. I became CEO in 2021 and immediately implemented a new business strategy reflected in the 2022, 2023, and 2024 financial data. Management performance can be compared based on economic statistics for these two eras. The company had the same leadership team from inception until I led a hostile takeover in 2021. These financial statistics, which compare the Company's performance over time, show significant changes after 2021.

The ratios presented here can detect changes in the number of ongoing projects and exploration spending, but they do not directly measure the quality of exploration spending. We could provide "finding costs" ratios for a mineral resource estimate, but Kermode has no such resource. We do not calculate any financial ratios related to geochemical testing, such as the number of samples divided by gross exploration spending or copper grades for rock samples.

Shareholders would benefit from learning this information for Kermode or any other mining exploration company. I wanted to disclose more about the monthly breakdown of spending amounts and details on activities in the annual MD&A for Kermode but was advised against it. The *status quo* for mining exploration companies in Canadian public markets today appears to minimize the amount of reported material to pass regulatory requirements and reduce the auditor's work time when auditing a public company. In contrast, I aim to maximize the helpful information we provide investors. The 2024 MD&A (Kermode Resources Ltd., 2025a) starts with 3 years of data (2022-2024), and this article includes a broader data set (2005-2024) to improve public discourse on Kermode. Part of earning trust from more investors is providing better disclosure about business activities and comparing strategy to results. These financial statistics can be standardized and compared between broader peer groups of mining exploration companies.

It is beneficial for investors to use this conceptual framework to compare mining exploration companies. What drives future share price gains for exploration companies: good luck or good business? The framework provides ways to explore topics like this between companies over time in a way that can be adapted to data at scale to hunt for "secret sauce" with future share price gains versus past spending patterns. Or do we need more information about the quality of the spending?

It is important to note that mining exploration companies in Canada face situations where they violate their listing agreement with the TSXV or CSE stock exchange because they are doing very little exploration work and have insufficient working capital. An example of Kermode doing very little work for years and the possibility that it violated TSXV continued listing requirements for years around 2016. In comparison, I had more exploration activity when I became CEO because I prioritized exploration spending and

project generation, however expensive.

It is possible to do further analysis across companies and share prices to see if any patterns reflect different management strategies. For example, we can compare stock performance with insider ownership to see if insider investment relates to financial ratios or share prices over time. Do the companies with the highest overhead costs relative to exploration spending and lowest insider ownership generally have better or worse share price returns than other mining exploration companies? It is possible to test ideas like this using this conceptual framework. It may also be possible to develop new criteria for investment selection by rules-based investors in the mining exploration business.

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