

Lithoquest Resources Inc.

Condensed Interim Consolidated Financial Statements

Six Months ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed an audit or review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada.

Lithoquest Resources Inc.

Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

| As at | September 30, 2021 | March 31, 2021 |
|---|-----------------------|-------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 1,259,458 | \$ 146,050 |
| Sales taxes recoverable | 61,866 | 7,548 |
| Prepaid expenses | 44,620 | 1,000 |
| Total current assets | 1,365,944 | 154,598 |
| Exploration and evaluation assets | 1,110,866 | 411,087 |
| Total assets | \$ 2,476,810 | \$ 565,685 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities (note 7) | \$ 429,546 | \$ 520,253 |
| Deferred premium liability (note 4) | 4,700 | - |
| Total current liabilities | 434,246 | 520,253 |
| Equity | | |
| Share capital | 11,665,969 | 9,367,058 |
| Contributed surplus | 1,718,540 | 1,397,140 |
| Deficit | (11,341,945) | (10,718,766) |
| Total equity | 2,042,564 | 45,432 |
| Total liabilities and equity | \$ 2,476,810 | \$ 565,685 |

Nature of the Company and continuance of operations (note 1)
Contingent liability (note 7)

On behalf of the Board of Directors:

"Bruce Counts"

Director

"Lon Shaver"

Director

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

Lithoquest Resources Inc.

Condensed Interim Consolidated Statements of Changes in Equity

For the six months ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

| | Share Capital | | Shares to be Issued | Contributed Surplus | Deficit | Total Equity |
|---|---------------------|----------------------|------------------------|------------------------|------------------------|---------------------|
| | Number of Shares | Amount | | | | |
| Balance, March 31, 2020 | 55,848,547 | \$ 8,895,874 | \$ 46,000 | \$ 1,242,040 | \$ (10,090,503) | \$ 93,411 |
| Shares issued for cash, net of issuance costs | 8,333,334 | 242,061 | (46,000) | - | - | 196,061 |
| Stock based compensation | - | - | - | 155,100 | - | 155,100 |
| Comprehensive loss | - | - | - | - | (351,925) | (351,925) |
| Balance, September 30, 2020 | 64,181,881 | \$ 9,137,935 | \$ - | \$ 1,397,140 | \$ (10,442,428) | \$ 92,647 |
| Balance, March 31, 2021 | 67,161,881 | \$ 9,367,058 | \$ - | \$ 1,397,140 | \$ (10,718,766) | \$ 45,432 |
| Units issued for cash | 18,095,000 | 1,809,500 | - | - | - | 1,809,500 |
| Flow-through shares issued for cash | 5,480,000 | 685,000 | - | - | - | 685,000 |
| Premium liability (note 4) | - | (27,400) | - | - | - | (27,400) |
| Issuance costs (note 5) | - | (168,189) | - | 64,800 | - | (103,389) |
| Stock based compensation | - | - | - | 256,600 | - | 256,600 |
| Comprehensive loss | - | - | - | - | (623,179) | (623,179) |
| Balance, September 30, 2021 | 90,736,881 | \$ 11,665,969 | \$ - | \$ 1,718,540 | \$ (11,341,945) | \$ 2,042,564 |

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

Lithoquest Resources Inc.

Condensed Interim Consolidated Statements of Comprehensive Loss

For the six months ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

| | Three Months | | Six Months | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Expenses | | | | |
| Care and maintenance | \$ 20,870 | \$ 7,736 | \$ 40,937 | \$ 22,677 |
| Management and consulting fees | 88,485 | 34,541 | 161,422 | 80,177 |
| Marketing and corporate development | 48,296 | 11,548 | 83,744 | 15,649 |
| Office and general | 23,725 | 6,226 | 36,832 | 13,569 |
| Professional fees | 30,165 | 20,731 | 54,050 | 30,731 |
| Regulatory and shareholder services | 6,095 | 5,115 | 7,917 | 8,776 |
| Share-based payments (note 5) | 256,600 | 155,100 | 256,600 | 155,100 |
| Travel | 15,521 | - | 15,521 | - |
| Loss before other items | (489,757) | (240,997) | (657,023) | (326,679) |
| Other items | | | | |
| Foreign exchange (gain) loss | (1,285) | 4,043 | (9,458) | 25,246 |
| Interest income | (1,686) | - | (1,686) | - |
| Premium on flow-through shares income | (22,700) | - | (22,700) | - |
| Loss and comprehensive loss | \$ (464,086) | \$ (245,040) | \$ (623,179) | \$ (351,925) |
| Loss per share - basic and diluted | \$ (0.01) | \$ (0.00) | \$ (0.01) | \$ (0.01) |
| Weighted average number of common shares outstanding | 90,736,881 | 64,181,881 | 79,103,794 | 63,180,059 |

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

Lithoquest Resources Inc.

Condensed Interim Consolidated Statements of Cash Flows

For the six months ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

| | 2021 | 2020 |
|---|---------------------|------------------|
| Cash flow used in operating activities | | |
| Loss for the period | \$ (623,179) | \$ (351,925) |
| Item not affecting cash | | |
| Share-based payments | 256,600 | 155,100 |
| Premium on flow-through shares income | (22,700) | - |
| | (389,279) | (196,825) |
| Non-cash working capital items (note 6) | (188,645) | (2,076) |
| | (577,924) | (198,901) |
| Cash flow used in investing activities | | |
| Exploration and evaluation assets | (699,779) | - |
| | (699,779) | - |
| Cash flow from financing activities | | |
| Proceeds from the issuance of units | 1,809,500 | - |
| Proceeds from the issuance of flow-through shares | 685,000 | - |
| Proceeds from the issuance of shares | - | 204,000 |
| Share issuance costs | (103,389) | (7,939) |
| | 2,391,111 | 196,061 |
| Increase (decrease) in cash | 1,113,408 | (2,840) |
| Cash, beginning of year | 146,050 | 81,902 |
| Cash, end of period | \$ 1,259,458 | \$ 79,062 |

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

Lithoquest Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Six months ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

1. Nature of the Company and Continuance of Operations

Lithoquest Resources Inc. (“Lithoquest” or the “Company”) was incorporated on February 25, 1986 in Alberta, Canada. In April 2014, it was continued from the jurisdiction of Alberta to British Columbia, Canada. On November 23, 2020, the Company changed its name to Lithoquest Resources Inc. from Lithoquest Diamonds Inc.

The Company is engaged in the acquisition and exploration of mineral properties and is currently focused on exploration of three district scale gold properties in northwestern Ontario. The Company’s head office is at 1480 - 885 W. Georgia Street, Vancouver, BC V6C 3E8.

The Company has been active in acquiring, exploring and evaluating potential properties in the Kimberly region of the Australian state of Western Australia. Due to difficult market conditions for funding diamond exploration, the Company has put a hold on substantive exploration expenditure on the North Kimberly Diamond Project and reflected a write-down of the project in the consolidated statement of comprehensive loss for the year ended March 31, 2020.

The Company has not generated significant revenues or cash flows from operations and has not yet determined whether its mineral property assets contains ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the property or realizing proceeds from its disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company’s ability to continue as a going concern. These unaudited condensed interim consolidated 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.

As at September 30, 2021, the Company had working capital of \$931,698, representing funds available to cover on-going operating costs. The Company has incurred negative cash flows from operations, recorded a loss of \$623,179 for the six months ended September 30, 2021, and has an accumulated deficit of \$11,341,945 as at September 30, 2021.

2. Basis of Presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended March 31, 2021, prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The accounting policies applied in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company’s consolidated financial statements for the year ended March 31, 2021, unless otherwise stated.

These financial statements were authorized for issue by the Board of Directors of the Company on November 25, 2021.

Lithoquest Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements
Six months ended September 30, 2021 and 2020
(Expressed in Canadian Dollars)

3. Exploration and Evaluation Assets

Miminiska-Fort Hope Greenstone Belt Projects

| | |
|---|-------------------|
| Balance, March 31, 2021 | \$ 58,250 |
| Exploration and evaluation expenditures | 574,779 |
| Land acquisition and administration | 125,000 |
| Balance, September 30, 2021 | \$ 758,029 |

The Miminiska-Fort Hope Greenstone Belt Projects are three district scale gold properties; Miminiska, Keezhik and Attwood, which cover more than 41,000 ha within the traditional territory of the Eabametoong First Nation in northwestern Ontario.

On December 22, 2020, the Company acquired mineral claims over a prospective and under-explored area of the Miminiska-Fort Hope greenstone belt. The Attwood Project comprises 1,151 mineral claims covering 23,262 hectares and is located approximately 60 km southwest of the Eabametoong First Nation Community of Fort Hope and 320 km north of city of Thunder Bay, Ontario. Attwood is a green-fields project covering geology that is prospective for precious and base metal deposits. The property lies within five kilometres of the all-weather Ogoki Forestry Road and is accessible by float plane.

On May 5, 2021, the Company entered into an Option Agreement with Landore Resources Canada Inc. (“Landore”) to acquire 100% interest in the Miminiska Lake and Keezhik Lake mining claims located in Pickle Lake area, Thunder Bay Mining District, northwestern Ontario, for a purchase price of \$1,375,000 cash and by paying Landore the additional sum of \$2,650,000 in cash or in the Company's common shares.

Under the terms of the Option Agreement, the Company will earn a 100% interest in the Miminiska and Keezhik properties by making the scheduled payments defined in Table 1 to Landore. A convertible cash payment can either be made in cash or common shares of the Company, at the Company's election. The optionor will retain a 2 per-cent net smelter return royalty on the property, of which 50 per-cent (a 1 per-cent royalty) is purchasable at any time by the Company for \$1,000,000.

The transaction was accepted by the TSX on June 24, 2021 (the “Effective Date”).

Table 1: Option Payments for 100% interest in Miminiska and Keezhik properties

| Payment Date | Cash | Convertible Cash |
|---|--------------------|-------------------------|
| On signing of the Option Agreement (paid) | \$25,000 | Nil |
| 10 days after the Effective Date (paid) | \$100,000 | Nil |
| 6 months after the Effective Date | \$250,000 | \$400,000 |
| 12 months after the Effective Date | \$250,000 | \$500,000 |
| 18 months after the Effective Date | \$250,000 | \$750,000 |
| 24 months after the Effective Date | \$500,000 | \$1,000,000 |
| Total | \$1,375,000 | \$2,650,000 |

Lithoquest Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian Dollars)

3. Exploration and Evaluation Assets - continued

North Kimberly Diamond Project

| | |
|---|-------------------|
| Balance, March 31, 2021 and September 30, 2021 | \$ 352,837 |
|---|-------------------|

There was no change in the North Kimberly Diamond Project during the period.

| | |
|----------------------------------|---------------------|
| Total, September 30, 2021 | \$ 1,110,866 |
|----------------------------------|---------------------|

4. Deferred Premium Liability

The premium paid for flow-through shares in excess of the market value of the shares without the flow-through features is initially recognized as a liability. The liability is subsequently reduced and recorded in the consolidated statements of comprehensive loss on a pro-rata basis based on the corresponding eligible expenditures that have been incurred when it is the Company's intention to file the appropriate renunciation forms with the Canadian taxation authorities.

Total premium liability of \$27,400 was recognized during the period in respect of flow-through financings (see note 5). During the period \$22,700 of the deferred premium liability was recognized as income in the consolidated statements of comprehensive loss.

In connection with the flow-through financing conducted during the period, the Company incurred an obligation to spend a total of \$685,000 on qualifying exploration expenditures by December 31, 2022. During the period, the company incurred qualifying exploration expenditures totalling \$568,000. This leaves a remaining expenditure obligation of \$117,000 to complete by December 31, 2022.

Lithoquest Resources Inc.

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5. Share Capital

Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value.

Issued shares

On June 30, 2021, the Company closed a non-brokered private placement in which it issued 18,095,000 units at a price of \$0.10 per unit and 5,480,000 flow-through shares of the Company at \$0.125 per flow-through share for aggregate gross proceeds of \$2,494,500. Each unit consists of one common share of the Company and one-half warrant, with each whole warrant entitling the holder thereof to acquire an additional common share of the Company at an exercise price of \$0.15 per warrant share for a period of 24 months from the date of issuance.

In connection with the financing, the Company issued 795,300 finder's warrants, each warrant exercisable to purchase a common share at \$0.15 for two years. The fair value of \$64,800 for the finder's warrants was determined using the Black-Scholes pricing model, with the following assumptions: risk free interest rate – 0.45%, expected life – 2 years, annualized volatility – 150%, share price - \$0.12, dividend rate – 0%.

The cash issuance costs, consisting of legal fees, finder's fees, and regulatory costs, were \$103,389.

Stock Options

The continuity of share purchase options is as follows:

| | Number of Options | Weighted Average Exercise Price |
|--|----------------------|---------------------------------------|
| Outstanding, March 31, 2021 | 6,260,000 | 0.21 |
| Granted (a),(b) | 2,600,000 | 0.15 |
| Outstanding, September 30, 2021 | 8,860,000 | \$ 0.19 |

- (a) On July 9, 2021, the Company granted 2,500,000 stock options to directors, officers and consultants of the Company. The options vested on grant date and are exercisable at \$0.15 per share for 5 years. The stock options were valued at \$245,800 using the Black-Scholes option-pricing model with the following assumptions: expected life of 5 years, risk-free rate of 0.85%, expected dividend yield of 0%, and expected volatility of 150%. The share price at the time of the grant was \$0.11.
- (b) On July 28, 2021, the Company granted 100,000 stock options to a consultant of the Company. The options vested on grant date and are exercisable at \$0.15 per share for 5 years. The stock options were valued at \$10,800 using the Black-Scholes option-pricing model with the following assumptions: expected life of 5 years, risk-free rate of 0.71%, expected dividend yield of 0%, and expected volatility of 150%. The share price at the time of the grant was \$0.12.

Lithoquest Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Six months ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

5. Share Capital - continued

Stock Options - continued

As at September 30, 2021, the following options were outstanding and exercisable:

| Expiry Date | Remaining Contractual Life (in years) | Number of Options | Exercise Price |
|------------------------------------|--|--------------------------|-----------------------|
| November 23, 2022 | 1.1 | 1,775,000 | \$ 0.27 |
| January 2, 2023 | 1.3 | 500,000 | 0.40 |
| April 5, 2023 | 1.5 | 200,000 | 0.56 |
| July 12, 2023 | 1.8 | 160,000 | 0.60 |
| December 17, 2023 | 2.2 | 800,000 | 0.16 |
| July 30, 2025 | 3.8 | 2,225,000 | 0.10 |
| September 30, 2025 | 4.0 | 600,000 | 0.10 |
| July 9, 2026 | 4.8 | 2,500,000 | 0.15 |
| July 28, 2026 | 4.8 | 100,000 | 0.15 |
| Balance, September 30, 2021 | | 8,860,000 | |

During the period the Company recognized \$256,600 (2020 - \$155,100) in share-based payments. As of September 30, 2021, all options issued under the Plan were fully vested.

Warrants

The continuity of share purchase warrants is as follows:

| | Number of Warrants | Weighted Average Exercise Price |
|--|---------------------------|--|
| Outstanding, March 31, 2021 | 14,818,636 | \$ 0.14 |
| Warrants issued | 9,047,500 | 0.15 |
| Finder's Warrants issued | 795,300 | 0.15 |
| Outstanding, September 30, 2021 | 24,661,436 | \$ 0.15 |

Lithoquest Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Six months ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

5. Share Capital - continued

Warrants - continued

As at September 30, 2021, the following warrants were outstanding and exercisable:

| Expiry Date | Number of Warrants | Exercise Price |
|--------------------|---------------------------|-----------------------|
| November 23, 2021 | 11,838,636 | \$ 0.15 |
| March 5, 2023 | 2,980,000 | 0.12 |
| June 30, 2023 | 9,842,800 | 0.15 |
| | 24,661,436 | |

6. Additional Cash Flow Information

The net change in non-cash working capital consists of the following:

| | September 30, 2021 | September 30, 2020 |
|--|-------------------------------|-----------------------|
| Sales taxes recoverable | \$ (54,318) | \$ 5,765 |
| Other receivable | - | 17,151 |
| Prepaid expenses | (43,620) | 18,729 |
| Accounts payable and accrued liabilities | (90,707) | (43,721) |
| | \$ (188,645) | \$ (2,076) |

Lithoquest Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

Six months ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

7. Contingency

Stamp duty

Accounts payable and accrued liabilities include an accounting provision for stamp duty payable of \$245,542 (AUD\$268,000) (March 31, 2021 \$256,530 - AUD\$268,000). Stamp duty in Western Australia is payable by the purchaser on the transfer of property, including mining tenements, and is applied at the rate of 5.15% where the value of the property exceeds AUD\$2,000,000. This accounting provision was recorded at the time of the reverse take-over transaction which transferred indirect ownership of the North Kimberley tenements to the Company. The Company subsequently obtained a formal appraisal of the property which set the value at less than the AUD\$2,000,000 minimum threshold, implying that no stamp duty was payable and the Company made such filings with the Government of Western Australia, Office of State Revenue (“OSR”).

The OSR subsequently engaged their own valuator to prepare a second formal appraisal of the property. Based on the results of that report, which assessed the property at AUD\$5,000,000, the OSR issued a duties assessment notice to the Company on September 25, 2019 of AUD\$469,732, consisting of AUD\$251,415 duty, and AUD\$218,317 penalties and costs.

Following receipt of the assessment notice, and with the OSR understanding, the Company engaged a third independent valuator for the purpose of critiquing the first two reports and producing a third independent valuation report. The Company received that report which concludes that the preferred value of the property is less than the AUD\$2,000,000 minimum threshold. The Company lodged a formal objection to the OSR’s duties assessment notice in February 2020. In November 2020, the OSR obtained a further valuation from Landgate, the Western Australian Government official valuer, which appraised the value of the land at AUS\$2,200,000. The Company is currently in discussion with Revenue WA (formerly known as OSR).

No stamp duty or penalties would be payable if the ultimate fair value determination by Revenue WA or an arbitrator was less than AUD\$2,000,000. Should the ultimate determination be made that the fair value of the property at the time of the reverse take-over transaction was in excess of AUD\$2,000,000, administrative penalties of up to 100% of the calculated amount of stamp duty payable may be applied.