

**XAU Resources Inc.**  
**(A Capital Pool Company)**

**Interim Financial Statements**  
**(Expressed in Canadian Dollars)**

**For the nine months ended**

**July 31, 2021**

**(Unaudited)**

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited interim 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 a review of these financial statements in accordance with standards established by the CPA Canada for a review of interim financial statements by an entity's auditor.

**XAU RESOURCES INC.**  
**(A Capital Pool Company)**  
**INTERIM STATEMENTS OF FINANCIAL POSITION**  
For period from November 1, 2020 to July 31, 2021  
(Expressed in Canadian Dollars)  
(Unaudited)

	<b>July 31, 2021</b>	<b>October 31,</b>	<b>July 31, 2020</b>
	<b>(unaudited)</b>	<b>2021</b>	<b>(unaudited)</b>
		<b>(audited)</b>	
<b>Assets</b>			
Current Assets			
Cash	(Note 5) \$ 254,821	\$ 366,434	\$ 368,310
Total Current Assets	254,821	366,434	368,310
<b>Total Assets</b>	<b>\$ 254,821</b>	<b>\$ 366,434</b>	<b>\$ 368,310</b>
<b>Liabilities and Shareholders' Equity</b>			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 7,717	\$ 12,604	\$ 2,298
Total Liabilities	\$ 7,717	\$ 12,604	\$ 2,298
Shareholders' Equity			
Share Capital	(Note 3) 531,767	531,767	531,767
Contributed Surplus	(Note 3) 86,467	86,467	86,467
Deficit	(371,130)	(264,404)	(252,222)
Total Shareholders' Equity	\$ 247,104	\$ 353,830	\$ 366,012
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 254,821</b>	<b>\$ 366,434</b>	<b>\$ 368,310</b>

**On Behalf of the Board:**

\_\_\_\_\_  
“Gairat Gary Bay” Director                      “Andrey Maruta” Director

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

**XAU RESOURCES INC.**  
**(A Capital Pool Company)**  
**INTERIM STATEMENTS OF COMPREHENSIVE LOSS**  
For period from November 1, 2020 to July 31, 2021  
(Expressed in Canadian Dollars)  
(Unaudited)

	For the three months ended July 31, 2021 (unaudited)	For the three months ended July 31, 2020 (unaudited)	For the nine months ended July 31, 2021 (unaudited)	For the nine months ended July 31, 2020 (unaudited)
<b>Expenses</b>				
Professional fees	\$ 42,174	\$ 7,881	\$ 87,845	\$ 34,060
Registration and filing	10,867	6,849	18,881	13,890
<b>Total expenses</b>	<b>\$ 53,041</b>	<b>\$ 14,730</b>	<b>\$ 106,726</b>	<b>\$ 47,950</b>
<b>Loss and comprehensive loss</b>	<b>\$ (53,041)</b>	<b>\$ (14,730)</b>	<b>\$ (106,726)</b>	<b>\$ (47,950)</b>
<b>Loss per common share</b>	<b>\$ (0.01)</b>	<b>\$ -</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding</b>	<b>8,611,500</b>	<b>8,611,500</b>	<b>8,611,500</b>	<b>8,483,033</b>

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

**XAU RESOURCES INC.**  
**(A Capital Pool Company)**  
**INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
For period from November 1, 2020 to July 31, 2021  
(Expressed in Canadian Dollars)  
(Unaudited)

	Share Capital		Contributed		Total
	Shares	Amount	Surplus	Deficit	
<b>Balance, Oct 31, 2019</b>	<b>8,411,500</b>	<b>\$ 521,767</b>	<b>\$ 86,467</b>	<b>\$ (204,272)</b>	<b>\$ 403,962</b>
Shares issued (Note 3)	200,000	10,000	-	-	10,000
Loss for year	-	-	-	(47,950)	(47,950)
<b>Balance, July 31, 2020 (unaudited)</b>	<b>8,611,500</b>	<b>\$ 531,767</b>	<b>\$ 86,467</b>	<b>\$ (252,222)</b>	<b>\$ 366,012</b>

	Share Capital		Contributed		Total
	Shares	Amount	Surplus	Deficit	
<b>Balance, Oct 31, 2020</b>	<b>8,611,500</b>	<b>\$ 531,767</b>	<b>\$ 86,467</b>	<b>\$ (264,404)</b>	<b>\$ 353,830</b>
Loss for year	-	-	-	(106,726)	(106,726)
<b>Balance, July 31, 2021 (unaudited)</b>	<b>8,611,500</b>	<b>\$ 531,767</b>	<b>\$ 86,467</b>	<b>\$ (371,130)</b>	<b>\$ 247,104</b>

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

**XAU RESOURCES INC.**  
**(A Capital Pool Company)**  
**INTERIM STATEMENTS OF CASH FLOWS**  
For period from November 1, 2020 to July 31, 2021  
(Expressed in Canadian Dollars)  
(Unaudited)

	For the three months ended July 31, 2021	For the three months ended July 31, 2020	For the nine months ended July 31, 2021	For the nine months ended July 31, 2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss for the period	\$ (53,041)	\$ (14,730)	\$ (106,726)	\$ (47,950)
Changes in non-cash working capital items:				
Receivables	-	-	-	-
Accounts payable and accrued liabilities	(7)	(14,003)	(4,886)	(9,050)
<b>Net cash used in operating activities</b>	<b>(53,048)</b>	<b>(28,733)</b>	<b>(111,612)</b>	<b>(57,000)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from share issuances	-	-	-	10,000
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,000</b>
<b>Change in cash</b>	<b>(53,048)</b>	<b>(28,733)</b>	<b>(111,612)</b>	<b>(47,000)</b>
<b>Cash, beginning of the period</b>	<b>307,869</b>	<b>397,043</b>	<b>366,433</b>	<b>415,310</b>
<b>Cash, end of the period</b>	<b>\$ 254,821</b>	<b>\$ 368,310</b>	<b>\$ 254,821</b>	<b>\$ 368,310</b>

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

**XAU RESOURCES INC.**  
**(A Capital Pool Company)**  
INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
For period from November 1, 2020 to July 31, 2021  
(Expressed in Canadian Dollars)  
(Unaudited)

---

**1. NATURE OF OPERATIONS**

XAU Resources Inc. (the "Company") was incorporated under the Canada Business Corporations Act on June 18, 2018. The principal business of the Company is the identification and evaluation of assets or a business (Qualifying Transaction) and, once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities.

On July 18, 2019, the Company completed its Initial Public Offering ("IPO") of 4,411,500 common shares at a purchase price of \$0.10 per common share for aggregate proceeds of \$441,150. These IPO proceeds may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company as defined under the Exchange policy 2.4.

The Company's head office, principal address and registered and records office is located at Suite 4100, 66 Wellington Street West, Toronto, Ontario, Canada, M5K 1B7.

These financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company's continuing operations, as intended, are dependent upon its ability to identify, evaluate and negotiate an acquisition of a participation in or an interest in properties, assets, or businesses within 24 months of listing on the TSX-V.

There is no assurance that the Company will complete a Qualifying Transaction within twenty-four months from the date the Company's shares are listed on the TSX-V, at which time the TSX-V may suspend or delist the Company's shares from trading.

**2. Basis of presentation**

***Statement of compliance***

These Unaudited Interim Financial Statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Boards ("IASB"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been condensed or omitted and these Unaudited Interim Financial Statements should be read in conjunction with the Company's audited Financial Statements for the period from Nov 1, 2019 to October 31, 2020.

These financial statements were authorized for issue by the Board of Directors on September 28, 2021.

***Basis of measurement***

These Unaudited Interim Financial Statements have been prepared on an accrual basis, are based on historical costs. The financial statements are presented in Canadian dollars, which is the Company's functional and reporting currency.

***Significant accounting policies***

In addition to the significant accounting policies noted below, these Unaudited Interim Financial Statements and the accompanying notes were prepared using the accounting policies described in Note 2 of the Company's audited Financial Statements for the period from Nov 1, 2019 to October 31, 2020.

**XAU RESOURCES INC.**  
**(A Capital Pool Company)**  
**INTERIM STATEMENTS OF CASH FLOWS**  
For period from November 1, 2020 to July 31, 2021  
(Expressed in Canadian Dollars)  
(Unaudited)

---

**3. SHARE CAPITAL**

*Common Shares*

*Authorized*

Unlimited number of common shares with no par value.

*Issued*

On June 18, 2018, the Company issued 4,000,000 shares at a price of \$0.05 per share for gross proceeds of \$200,000 pursuant to a private placement. All common shares issued are subject to escrow restrictions upon the completion of the IPO and will be released from escrow in tranches over 36 months from its listing on the TSX-V.

On April 24, 2020, the Company closed the private placement of 200,000 shares at a price of \$0.05 per share for gross proceeds of \$10,000.

*Initial Public Offering*

On July 18, 2019, the Company completed its IPO of 4,411,500 common shares at a purchase price of \$0.10 per common share for aggregate proceeds of \$441,150.

Hampton Securities Limited (the "Agent") acted as agent for the IPO. In connection with the IPO, the Agent received a cash commission of \$44,115, equal to 10% of the aggregate gross proceeds from the sale of the common shares. In addition, the Company reimbursed the Agent's legal fees in the amount of \$25,262 and corporate finance fees of \$26,625.

*Stock Options*

A summary of stock option activity during the nine-month period ended July 31, 2021, is as follows:

	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining life</b>
Outstanding, October 31, 2020	841,147	\$ 0.10	3.72
Granted	-	-	-
Exercised	-	-	-
Expired	-	-	-
<b>Outstanding July 31, 2021</b>	<b>841,147</b>	<b>\$ 0.10</b>	<b>2.97</b>

The Company has a common share purchase option plan (the "Plan") for directors, officers, employees and consultants. The number of common shares reserved for issuance pursuant to the Plan is equal to 10% of the Company's issued and outstanding common shares at the time of grant. The number of common shares reserved for issuance or granted to any insiders, within any twelve-month period, will not exceed 10% of the issued and outstanding common shares at the date of the grant. Options granted under the Plan have a five-year term. Options are granted at a price no lower than the market price of the common shares less any discounts allowed by the TSX Venture Exchange at the time of the grant.

The Company granted the directors and officers stock options at closing of the IPO, which will entitle the

**XAU RESOURCES INC.**  
**(A Capital Pool Company)**  
**INTERIM STATEMENTS OF COMPREHENSIVE LOSS**  
For period from November 1, 2020 to July 31, 2021  
(Expressed in Canadian Dollars)  
(Unaudited)

**3. SHARE CAPITAL, CONTINUED**

holders to purchase an aggregate of up to 841,147 common shares at a price of \$0.10 per common share for a period of 5 years from the date of grant, in accordance with the policies of the TSX-V. All options vested immediately on the issuance date. The options were valued at \$63,086 using a Black-Scholes option model with the following assumptions: share price of \$0.10 per common share, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of 1.46%, expected life of five years.

The number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Options may be exercised the greater of 12 months after the completion of the Qualifying Transaction and 90 days following cessation of the Optionee's position with the Company, subject to the expiry date of such option. Any common shares acquired pursuant to the exercise of options prior to the Completion of the Qualifying Transaction will be subject to escrow restrictions until the issuance of the Final Exchange Bulletin.

***Warrants***

A summary of warrant activity during the nine-month period ended July 31, 2021 is as follows:

	<b>Number of warrants</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining life</b>
Outstanding, October 31, 2020	441,150	\$0.10	0.72
Granted	-	-	-
Exercised	-	-	-
Expired	(441,150)	(0.10)	-
Outstanding July 31, 2021	-	-	-

In connection with IPO, the Company granted to the Agent non-transferable warrants to acquire up to an aggregate of 441,150 common shares (the "Agent's Warrants"). Each Agent's Warrant is exercisable to acquire one common share at a price of \$0.10 for a period of 24 months following the date that the common shares are listed on the Exchange. The Agent's Warrants were valued at \$23,381 using a Black-Scholes model with the following assumptions: share price of \$0.10 per common share, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of 1.55%, expected life of two years. The value of the Agent's Warrants has been recorded as a share issue cost.

The options expired on July 18, 2021.

***Contributed surplus***

Contributed surplus records items recognized as share-based payments and allocation of the value of warrants and agent's options until such time that the options and warrants are exercised, at which time the corresponding amount will be transferred to share capital.

#### **4. FINANCIAL RISK MANAGEMENT**

The Company is exposed to a variety of risks related to financial instruments. The Board approves and monitors the risk management processes. The principal types of risk exposure and the way in which they are managed are as follows:

##### ***Credit Risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The Company has deposited the cash with a Schedule 1 Canadian bank from which management believes the risk of loss is remote.

##### ***Liquidity Risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due. Accounts payable and accrued liabilities are due within the current operating period. The Company has a sufficient cash balance to settle current liabilities.

##### ***Market risk***

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

##### ***Fair value***

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 fair value of the Company's receivables and accounts payable and accrued liabilities approximates their carrying value because of the short-term nature of the financial instruments. The Company's cash is measured at amortized cost.

**XAU RESOURCES INC.**

**(A Capital Pool Company)**

**INTERIM STATEMENTS OF CASH FLOWS**

For period from November 1, 2020 to July 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

---

**5. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the completion of a Qualifying Transaction. Therefore, the Company monitors the level of risk incurred in its expenditures relative to its capital structure.

The Company considers its capital structure to consist of components of shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the potential underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favorable terms and approved by the TSX-V.

As a CPC, the Company is subject to externally imposed cash restrictions as outlined in TSX-V Policy 2.4. The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company.