



**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(Expressed in Canadian Dollars - Unaudited)**

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021.**

### **NOTICE TO READER**

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

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 interim financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**FOSTERVILLE SOUTH EXPLORATION LTD.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars - Unaudited)

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 23,684,945	\$ 29,412,032
Receivables (Note 5)	253,679	221,504
Prepaid expenses	137,255	264,947
	<u>24,075,879</u>	<u>29,898,483</u>
<b>Equipment</b> (Note 6)	446,037	451,943
<b>Reclamation bonds</b>	59,806	34,301
<b>Assets held for distribution</b> (Note 7)	-	600,443
<b>Exploration and evaluation assets</b> (Note 7)	832,665	847,710
	<u>24,075,879</u>	<u>29,898,483</u>
	<u>\$ 25,414,387</u>	<u>\$ 31,832,880</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 13)	\$ 523,183	\$ 711,189
Deferred acquisition payments – current portion (Note 9)	58,809	66,182
Lease liability – current portion (Note 8)	14,844	14,367
	<u>596,836</u>	<u>791,738</u>
<b>Deferred acquisition payments</b> (Note 9)	-	54,980
<b>Lease liability</b> (Note 8)	22,500	36,359
	<u>619,336</u>	<u>883,077</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 10)	40,174,111	40,174,111
Contributed surplus	5,376,490	1,604,093
Accumulated other comprehensive loss	12,686	123,337
Deficit	(20,768,236)	(10,951,738)
	<u>24,795,051</u>	<u>30,949,803</u>
	<u>\$ 25,414,387</u>	<u>\$ 31,832,880</u>

Nature of operations (Note 1)

**Approved and authorized on behalf of the Board of Directors on November 24, 2021**

\_\_\_\_\_  
“Bryan Slusarchuk” Director

\_\_\_\_\_  
“Robert McMorran” Director

**FOSTERVILLE SOUTH EXPLORATION LTD.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)

<b>For the</b>	<b>Three-month period ended September 30, 2021</b>	<b>Three-month period ended September 30, 2020</b>	<b>Nine-month period ended September 30, 2021</b>	<b>Nine-month period ended September 30, 2020</b>
<b>EXPENSES</b>				
Accretion	\$ 4,006	\$ 6,517	\$ 15,187	\$ 20,969
Consulting fees	-	-	448	191,736
Depreciation (Note 6)	54,005	32,223	142,193	58,115
Directors' fees (Note 13)	18,000	15,000	54,000	45,000
Exploration expenditures (Note 7 and 13)	1,526,062	1,514,246	4,117,021	2,396,451
Foreign exchange loss (gain)	2,072	19,762	(118)	26,264
Investor relations	76,016	272,041	546,679	365,660
Management fees (Note 13)	81,000	120,000	351,000	310,000
Office expenses	51,527	14,643	121,312	44,781
Professional fees (Note 13)	64,770	186,008	245,486	491,948
Project Investigation	-	28,715	-	28,715
Share-based payments (Note 10)	86,609	-	3,772,397	1,041,023
Shareholder communications and marketing	176,617	591,494	437,834	942,192
Transfer agent, filing and listing fees	6,509	12,424	67,234	99,113
Travel	-	-	547	75,761
	-	-	547	75,761
<b>Loss from operations</b>	(2,147,193)	(2,813,073)	(9,871,220)	(6,137,728)
Held for Distribution transaction costs	-	(325,000)	-	(325,000)
Interest income	15,341	28,863	54,722	48,696
<b>Loss for the period</b>	(2,131,852)	(3,109,210)	(9,816,498)	(6,414,032)
<b>Other comprehensive (loss) income</b>				
Exchange difference on translation of foreign operations	(7,381)	(4,995)	(110,651)	50,566
<b>Comprehensive loss for the period</b>	\$ (2,139,233)	\$ (3,114,205)	\$ (9,927,149)	\$ (6,363,466)
<b>Basic and diluted loss per common share</b>	\$ (0.03)	\$ (0.05)	\$ (0.15)	\$ (0.13)
<b>Basic and diluted weighted average number of common shares outstanding</b>	67,918,383	62,277,674	67,918,383	48,680,116

**FOSTERVILLE SOUTH EXPLORATION LTD.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in Canadian dollars, except for share figures)

	Number	Amount	Special Warrants	Contributed Surplus	Accumulated Other Comprehensive loss	Deficit	Total
<b>Balance, December 31, 2019</b>	29,980,001	\$ 2,582,221	\$ 3,160,540	\$ 302,109	\$ (2,763)	\$ (1,582,000)	\$ 4,460,107
Issuance and conversion of special warrants	8,202,750	3,175,540	(3,160,540)	-	-	-	15,000
Issuance and conversion of subscription receipts	6,800,000	2,720,000	-	-	-	-	2,720,000
Private Placement	15,598,860	22,849,996	-	-	-	-	22,849,996
Share issuance costs	-	(3,090,449)	-	1,083,170	-	-	(2,007,279)
Exercise of stock options	1,970,000	1,376,647	-	(588,647)	-	-	788,000
Exercise of share purchase warrants	2,308,426	4,616,852	-	-	-	-	4,616,852
Mineral Property Acquisition	225,000	333,000	-	-	-	-	333,000
Share-based payments	-	-	-	1,041,023	-	-	1,041,023
Loss for the period	-	-	-	-	50,566	(6,414,032)	(6,363,466)
<b>Balance, September 30, 2020</b>	65,085,037	34,563,807	-	1,837,655	47,803	(7,996,032)	28,453,233
Share issuance costs	-	15	-	-	-	-	15
Exercise of stock options	50,000	34,940	-	(14,940)	-	-	20,000
Exercise of share purchase warrants	2,783,346	5,575,349	-	(218,622)	-	-	5,356,727
Loss for the period	-	-	-	-	75,534	(2,955,706)	(2,880,172)
<b>Balance, December 31, 2020</b>	67,918,383	40,174,111	-	1,604,093	123,337	(10,951,738)	30,949,803
Share-based payments	-	-	-	3,772,397	-	-	3,772,397
Loss for the period	-	-	-	-	(110,651)	(9,816,498)	(9,927,149)
<b>Balance, September 30, 2021</b>	67,918,383	\$ 40,174,111	\$ -	\$ 5,376,490	\$ 12,686	\$ (20,768,236)	\$ 24,795,051

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

**FOSTERVILLE SOUTH EXPLORATION LTD.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)

	<b>Nine-month period ended September 30, 2021</b>	<b>Nine-month period ended September 30, 2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss for the period	\$ (9,816,498)	\$ (6,414,032)
Items not involving cash:		
Accretion	15,187	20,969
Accrued Finance expense	3,004	3,277
Depreciation	142,193	58,115
Share-based payments	3,772,397	1,041,023
Held for distribution- Transaction cost	-	325,000
Changes in non-cash working capital items:		
Receivables	(32,175)	(398,501)
Prepaid expenses	127,692	(305,438)
Accounts payable and accrued liabilities	(188,006)	664,311
Net cash used in operating activities	<u>(5,976,206)</u>	<u>(5,005,276)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Exploration and evaluation acquisitions	-	(520,197)
Payment of deferred acquisition payments	(68,862)	-
Reclamation bonds	(25,505)	(33,964)
Equipment acquisition costs	(168,127)	(393,452)
Sale of mineral property assets	730,079	-
Held for distribution – transaction costs incurred	(145,000)	(235,445)
Net cash provided by (used in) investing activities	<u>322,585</u>	<u>(1,183,058)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Private placement	-	22,849,996
Exercise of stock options	-	788,000
Warrants	-	4,616,852
Issuance costs	-	(2,007,279)
Repayment of lease liabilities	(13,276)	(10,987)
Net cash (used in) provided by financing activities	<u>(13,276)</u>	<u>26,236,582</u>
<b>Change in cash during the period</b>	<b>(5,666,897)</b>	<b>20,048,248</b>
<b>Foreign exchange</b>	<b>(60,190)</b>	<b>(9,530)</b>
<b>Cash – beginning of the period</b>	<b>29,412,032</b>	<b>6,645,900</b>
<b>Cash – end of the period</b>	<b>\$ 23,684,945</b>	<b>\$ 26,684,618</b>

Supplemental disclosure with respect to cash flows (Note 14)

**FOSTERVILLE SOUTH EXPLORATION LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three and nine months ended September 30, 2021.

(Expressed in Canadian Dollars - Unaudited)

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**1. NATURE OF OPERATIONS**

Fosterville South Exploration Ltd. (“the Company” or “Fosterville”) was incorporated under the Business Corporations Act of British Columbia on July 22, 2019. The Company is engaged in the acquisition, exploration and development of mineral properties in Australia. The Company’s head office is located at 488 – 1090 West Georgia Street, Vancouver, BC V6E 3V7.

On March 18, 2020, the Company filed its initial prospectus and on March 25, 2020 the Company issued 8,202,750 common shares on the conversion of special warrants and 6,800,000 common shares on the conversion of subscription receipts (Note 10). On April 14, 2020, the Company’s shares commenced trading on the TSX Venture Exchange (the “TSX-V”) under the symbol FSX.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) 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 has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. While the Company is well capitalized and has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available or be available on favourable terms.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

**2. BASIS OF PREPARATION**

**Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements are compliant with IAS 34 and do not include all of the information required for full annual financial statements.

**Basis of presentation**

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments measured at fair value through profit and loss.

**Consolidation**

These condensed consolidated interim financial statements include the financial statements of the Company and its wholly-owned and controlled subsidiaries, Currawong Resources Pty Ltd. (“Currawong”) from date of acquisition (Note 5), incorporated in Australia on September 10, 2014, Bendigo Gold Corp. (“Bendigo”), incorporated in Canada on November 8, 2019, and Leviathan Gold Ltd (“Leviathan”) and its wholly owned subsidiary Leviathan Gold (Australia) PTY Ltd (“Leviathan Australia”), for the period from their incorporations on June 24, and June 29, 2020 respectively to the date of their spin-out on November 23, 2020 (Note 7).

Fosterville, Bendigo and Leviathan have a functional currency of Canadian Dollar (CAD). Currawong and Leviathan Australia have a functional currency of the Australian Dollar (AUD).

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**2. BASIS OF PREPARATION (Cont'd...)**

Control is achieved when the Company has the power to, directly or indirectly, govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is obtained and continue to be consolidated until the date that such control ceases. Intercompany balances, transactions and unrealized intercompany gains and losses are eliminated upon consolidation.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The Company's accounting policies are the same as those applied in the Company's consolidated financial statements for the year ended December 31, 2020. These condensed consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements for year ended December 31, 2020.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the period of the change, if the change affects that period only; in the period of the change and future periods, if the change affects both.

**Critical Judgments**

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustments to the carrying amounts of assets and liabilities recognized in the condensed consolidated interim financial statements within the next financial year are discussed below:

*Title to mineral property interests*

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and titles may be affected by undetected defects.

*Impairment of exploration and evaluation assets*

The carrying value and recoverability of exploration and evaluation assets requires management to make certain estimates, judgments and assumptions about each project. Management considers the economics of the project, including the latest resource prices and the long-term forecasts, and the overall economic viability of the project. Management has assessed these indicators and does not believe an impairment provision is required.

*Issuances of shares for properties*

Management makes judgments in determining the share price attributed to issuances of shares for mineral properties. Management considers market conditions, recent or pending private placements of the Company, and or contracted terms of the issuance. Should management's judgment as to an appropriate share price be incorrect, the value attributed to properties could be materially different.

*Asset acquisition*

The assessment of whether an acquisition meets the definition of a business, or an asset is an area of key judgment. In the acquisition of Currawong, judgement was required to determine if the acquisition represented a business combination or an asset acquisition. More specifically, management concluded that Currawong did not represent a business as the assets acquired were not an integrated set of activities with inputs, processes, and outputs.

**FOSTERVILLE SOUTH EXPLORATION LTD.**  
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**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (cont'd...)**

**Critical Judgments (cont'd...)**

*Asset acquisition (cont'd...)*

Since it was concluded that the Transaction (Note 5) represented the acquisition of an asset, there was no goodwill recognized and the transactions costs were capitalized to the assets purchased rather than expensed.

**Key Sources of Estimation Uncertainty**

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

*Share-based payment*

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

**5. RECEIVABLES**

	September 30, 2021	December 31, 2020
Goods and service tax ("GST") recoverable	\$ 233,594	\$ 176,546
Other	<u>20,085</u>	<u>44,958</u>
<b>Total</b>	<b>\$ 253,679</b>	<b>\$ 221,504</b>

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**6. EQUIPMENT**

	Vehicles	Equipment	Right of Use Asset (lease)	Total
<b>Cost</b>				
Balance at December 31, 2019	\$ -	\$ 51,134	\$ -	\$ 51,134
Additions	94,898	317,724	55,882	468,504
Foreign exchange	6,036	24,204	6,362	36,602
Balance at December 31, 2020	100,934	393,062	62,244	556,240
Additions	126,008	42,119	-	168,127
Foreign exchange	(11,343)	(28,379)	(4,260)	(43,982)
<b>Balance at September 30, 2021</b>	<b>\$ 215,599</b>	<b>\$ 406,802</b>	<b>\$ 57,984</b>	<b>\$ 680,385</b>
<b>Accumulated depreciation</b>				
Balance at December 31, 2019	\$ -	\$ 4,261	\$ -	\$ 4,261
Depreciation	14,347	66,132	13,406	93,885
Foreign exchange	913	4,385	853	6,151
Balance at December 31, 2020	15,260	74,778	14,259	104,297
Depreciation	29,224	101,705	11,264	142,193
Foreign exchange	(2,073)	(8,697)	(1,372)	(12,142)
<b>Balance at September 30, 2021</b>	<b>\$ 42,411</b>	<b>\$ 167,786</b>	<b>\$ 24,151</b>	<b>\$ 234,348</b>
<b>Carrying amount</b>				
As at December 31, 2020	\$ 85,674	\$ 318,284	\$ 47,985	\$ 451,943
<b>As at September 30, 2021</b>	<b>\$ 173,188</b>	<b>\$ 239,016</b>	<b>\$ 33,833</b>	<b>\$ 446,037</b>

**7. EXPLORATION AND EVALUATION ASSETS**

**Currawong Projects**

During the year ended December 31, 2019, the Company acquired a 100% right, title and interest in and to the Central Victoria Properties in Australia. The Central Victoria Properties are exploration stage properties comprised of the Lauriston Gold Project, the Golden Mountain Project, the Providence Project and other exploration license applications filed with the state of Victoria, in the southeast area of Australia.

**Moormbool, Avoca and Timor Projects**

*Acquisition Agreement*

During the year ended December 31, 2020, the Company entered into a purchase agreement with Mercator Gold Australia Pty. Ltd. ("Mercator"), a subsidiary of Alternative Investment Market-listed ECR Minerals PLC, whereby it acquired a 100% interest in three high-grade gold projects called the Timor project, the Avoca project and the Moormbool project.

Under the terms of the purchase agreement, the Company paid \$448,495 (AUD\$500,000) to Mercator in consideration of a 100% interest in the gold projects. The Company will also pay Mercator AUD\$1 for every ounce of gold or gold equivalent of measured resource, indicated resource or inferred resource within one or more of the tenements comprising the gold projects, which payment shall not exceed a total of AUD\$1,000,000. In the event the Company carries out commercial production on the gold projects, the Company will pay Mercator AUD\$1 for every ounce of gold equivalent ounces produced from the tenements comprising the gold projects, which payment shall not exceed a total of AUD\$1,000,000.

**FOSTERVILLE SOUTH EXPLORATION LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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**7. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

**Moormbool, Avoca and Timor Projects (cont'd...)**

*Royalty Purchase*

The Company also entered into a separate agreement with FliteGold Pty. Ltd. (“FliteGold”), an entity controlled by Mr. Rex Motton, a director of the Company, that held a royalty over the Avoca project. The Company issued 225,000 shares valued at \$333,000 to FliteGold and, in consideration of which, FliteGold terminated its royalty on the Avoca project.

*Spin-Out*

During the year ended December 31, 2020, the Company announced its board of directors had approved a spinout transaction.

On October 1, 2020, the Company entered into an Arrangement Agreement (the “Arrangement Agreement”) with its wholly owned subsidiary Leviathan and an unrelated company incorporated under the laws of British Columbia, Leviathan Finance Ltd (“FinCo”). Under the terms of the Arrangement Agreement, the Company spun-out Leviathan and Leviathan’s wholly owned subsidiary, Leviathan Australia, (the “Transaction”) on November 23, 2020, by way of a distribution of 67,907,831 shares of Leviathan to the Company’s shareholders. The result of this distribution was that each Fosterville shareholder received shares in Leviathan proportionate to their share ownership in the Company. At the time of the spin-out of Leviathan shares, Leviathan did not hold any assets or liabilities and the Transaction was accounted for as a distribution to shareholders of nominal value that did not have an impact on the consolidated accounts of the Company.

Following the completion of the Transaction, Finco completed a brokered financing of subscription receipts at \$0.50 per subscription receipt for total gross proceeds of \$12,914,000.

As part of the Arrangement Agreement, Currawong entered into an agreement to dispose of the Avoca and Timor Projects and certain other tenements (the “Avoca and Timor Projects”) to Leviathan Australia for cash, at their fair value of \$745,443 (AUD\$764,081 – received). Under the terms of the Arrangement Agreement, Leviathan Australia also assumed the underlying obligations of the Company and Currawong under the original purchase agreements.

Subsequent to the completion of the Transaction and prior to the completion of the acquisition of the Avoca and Timor Projects from Currawong, Leviathan caused 1274996 B.C Ltd., a newly incorporated wholly owned subsidiary of Leviathan, to amalgamate with FinCo (the “Amalgamation”). Following the Amalgamation, Leviathan applied and received approval to list on the TSXV and commenced trading on February 10, 2021.

During the year ended December 31, 2020, the Company reclassified the capitalized expenditures relating to the Avoca and Timor projects as Held for Distribution, as it was considered highly probable the transaction would complete. Held for distribution assets are measured at the lower of carrying amount and fair value less costs to distribute.

Management estimated that the fair value less costs to distribute the assets held for distribution on December 31, 2020 at \$600,443 being the fair value of the Avoca and Timor projects (\$745,443) less costs of \$145,000 expected to be incurred to complete the spin-out transaction. Total spin-out transaction costs totaled \$943,129 with \$145,000 incurred during the period end September 30, 2021.

**Beechworth Projects**

During the year ended December 31, 2020, the Company entered into a property acquisition agreement with Northern Mine Ventures P/L (“Northern Mine”), whereby it will acquire the 36-square-kilometre Beechworth gold project in Victoria, Australia, held within EL4697 and RLA006013 by Northern Mine.

**FOSTERVILLE SOUTH EXPLORATION LTD.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three and nine months ended September 30, 2021.

(Expressed in Canadian Dollars - Unaudited)

**7. EXPLORATION AND EVALUATION ASSETS (cont'd...)****Beechworth Projects (cont'd...)**

Pursuant to the terms of a purchase agreement between the Company and Northern Mine, the Company paid CAD\$49,175 (AUD \$50,000) to Northern Mine and agreed to pay an additional AUD \$250,000 on the date that the granted Exploration License is converted to a Retention License (the application to convert to a Retention License has been filed but has not been converted). The Company also agreed to incur AUD \$130,000 in exploration expenditures on the project within 90 days. Northern Mine retained a 2.5% NSR, which may be repurchased with a one-time payment of AUD \$2,000,000.

**Other Projects**

In addition to the projects listed above, the Company has submitted tenement applications for new projects, including the Walhalla Project, and other areas contiguous to current projects. All projects are in Victoria, Australia.

Below is a summary of the changes in the exploration and evaluation assets for the periods ended September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
<b>Balance, beginning of period</b>	\$ 847,710	\$ 685,851
Moormbool, Avoca, Timor acquisition	-	781,495
Reclassified as Held for Distribution - Leviathan	-	(711,108)
Beechworth acquisition	-	49,175
Foreign exchange	(15,045)	42,297
<b>Balance, end of period</b>	<b>\$ 832,665</b>	<b>\$ 847,710</b>

During the period ended September 30, 2021, the Company incurred exploration costs as follows:

<i>Exploration Expenditures</i>	Golden Mountain Project	Lauriston Project	Beechworth Project	Reedy Creek Project	Other Projects	Total
Assay	\$ 58,124	\$ 35,694	\$ 26,708	\$ 29,399	\$ 28,449	\$ 178,374
Data compilation	20,748	8,461	6,382	12,795	39,579	87,965
Drilling	467,131	431,535	290,848	238,452	185,723	1,613,689
Equipment rental	13,806	3,175	15,148	5,120	55,448	92,697
Field expenditures	64,487	9,629	15,330	42,127	64,873	196,446
Geological consulting	69,918	41,380	44,669	28,856	289,763	474,586
Geophysics	22,483	85,210	55,214	12,072	44,383	219,362
Project administration	7,074	1,166	14,571	11,557	28,042	62,410
Salaries and wages	28,443	100,313	7,807	21,591	682,865	841,019
Sampling	7,535	1,461	932	6,709	9,149	25,786
Tenement administration & fees	40,719	35,197	33,255	33,464	110,245	252,880
Travel	12,500	616	17,194	15,231	26,266	71,807
	<b>\$ 812,968</b>	<b>\$ 753,837</b>	<b>\$ 528,058</b>	<b>\$ 457,373</b>	<b>\$1,564,785</b>	<b>\$4,117,021</b>

**FOSTERVILLE SOUTH EXPLORATION LTD.**  
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**7. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

During the period ended September 30, 2020, the Company incurred exploration costs as follows:

<i>Exploration Expenditures</i>	Golden Mountain Project	Lauriston Project	Other Projects	Total
Assay	\$ 48,524	\$ 120,528	\$ 54,596	\$ 223,648
Data compilation	22,949	11,542	16,997	51,488
Drilling	1,055,575	49,715	4,166	1,109,456
Field expenditures	61,516	6,900	35,652	104,068
Geological consulting	168,363	82,091	171,213	421,667
Geophysics	14,160	-	23,245	37,405
Mapping and surveying	6,016	-	4,511	10,527
Project administration	3,804	9,484	97,100	110,388
Rehabilitation	6,572	2,098	-	8,670
Room & board	364	-	17,969	18,333
Salaries and wages	35,900	-	109,001	144,901
Tenement administration & fees	8,541	8,815	107,141	124,497
Travel	14,163	3,985	13,255	31,403
	<u>\$ 1,446,447</u>	<u>\$ 295,158</u>	<u>\$ 654,846</u>	<u>\$ 2,396,451</u>

Under Australian mining laws, the Company is required to incur AUD\$15,000 plus AUD \$150 per km2 in first year, AUD \$200 per km2 for each of second, third and fourth year and AUD \$300 per km2 for each year thereafter. The expenditure commitment per km2 increases over time but is offset by forced tenement area reductions on the second and fourth anniversary of 25% and 40% respectively.

Pursuant to the Australian mineral rights regulations, the Company is required to incur minimum exploration expenditures on both granted and pending licenses of AUD\$994,850 in 2021, AUD\$1,152,390 in 2022, AUD\$976,800 in 2023, AUD\$972,195 in 2024 and AUD\$920,160 in 2025 in order to maintain the exploration licenses.

**8. LEASE LIABILITY**

	September 30, 2021	December 31, 2020
Balance, beginning of the period	\$ 50,726	\$ -
Lease liability recognized	-	55,882
Lease payments	(13,276)	(13,870)
Accrued finance expense	3,004	4,428
Foreign exchange	(3,110)	4,286
<b>Balance, end of the period</b>	<b>\$ 37,344</b>	<b>\$ 50,726</b>
Current portion	14,844	14,367
Non-current portion	22,500	36,359
	<u>\$ 37,344</u>	<u>\$ 50,726</u>

During the year ended December 31, 2020, the Company leased a storage warehouse in Bendigo, Australia. The lease term has been estimated at 4 years, which includes a 2-year optional extension. The lease liability was discounted at a rate of 9%.

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**9. DEFERRED ACQUISITION PAYMENTS**

On August 8, 2019, the Company closed the acquisition of Currawong pursuant to the terms of a share purchase agreement. The Company acquired all of the issued and outstanding common shares of Currawong by issuing 3,000,000 common shares of the Company and agreeing to make total payments of AUD\$300,000 as follows:

- AUD\$75,000 on closing (paid CAD\$68,241);
- AUD\$75,000 by August 8, 2020 (paid CAD\$71,702);
- AUD\$75,000 by August 8, 2021 (paid CAD\$68,862); and
- AUD\$75,000 by August 8, 2022.

The fair value of the deferred payments of \$142,037 over a three-year period was determined on the date of the acquisition using a discounted cash flow model. A discount rate of 20% was used. The changes in the value of the deferred payments are as follows:

	September 30, 2021	December 31, 2020
Balance, beginning of period	\$ 121,162	\$ 154,870
Accretion expense	15,187	26,395
Payments	(68,862)	(71,702)
Foreign exchange	(8,678)	11,599
Balance, end of period	\$ 58,809	\$ 121,162
Current Portion	\$ 58,809	\$ 66,182
Non-Current Portion	\$ -	\$ 54,980

**10. SHARE CAPITAL**

**Authorized**

Unlimited common shares without par value.

**Escrowed shares**

As at September 30, 2021, the Company had 11,700,000 common shares subject to escrow release restrictions, of which 2,925,000 common shares will be released on each of the following dates: October 14, 2021, April 14, 2022, October 14, 2022, and April 14, 2023.

**Share issuances**

During the period ended September 30, 2021, the Company did not issue any shares.

During the year ended December 31, 2020, the Company:

- a) Closed a private placement financing and issued a total of 13,636,360 units at a price of \$1.10 per unit for gross proceeds of \$14,999,996. Each Unit consisted of one common share and one-half of one Common Share purchase warrant. Each whole warrant entitles the holder to purchase a Common Share at an exercise price of \$2.00 for a period of 24 months ending May 14, 2022.

The Company paid a syndicate of agents a cash commission of \$998,729 and issued a total of 907,937 common share purchase warrants (the "Broker Warrants"), with each Broker Warrant exercisable at \$1.10 per Common Share for a period of 24 months ending May 14, 2022. The Broker Warrants were valued at \$794,988 using Black-Scholes. The Company used the following assumptions when valuing the underwriters warrants: expected volatility of 100%, risk free interest rate of 0.27%, life of 2 years, dividend yield of 0% and forfeiture rate of 0%.

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## 10. SHARE CAPITAL

### Share issuances (cont'd...)

- b) Issued 225,000 shares valued at \$333,000 to FliteGold, in consideration of which, FliteGold terminated its royalty on the Avoca project. (Note 5).
- c) Closed a private placement financing and issued a total of 1,962,500 units at a price of \$4.00 per unit for gross proceeds of \$7,850,000. Each Unit consisted of one common share and one-half of one Common Share purchase warrant. Each whole warrant entitles the holder to purchase a Common Share at an exercise price of \$4.95 for a period of 24 months ending July 21, 2022.

The Company paid a syndicate of agents a cash commission of \$485,870 and issued a total of 121,468 common share purchase warrants with each broker warrant exercisable at \$4.00 per Common Share for a period of 24 months ending July 21, 2022. The Broker Warrants were valued at \$288,182 using Black-Scholes. The Company used the following assumptions when valuing the underwriters warrants: expected volatility of 100%, risk free interest rate of 0.27%, life of 2 years, dividend yield of 0% and forfeiture rate of 0%.

- d) Paid other share issuance costs of \$549,665 relating to the private placements.
- e) Received \$808,000 from the exercise of 2,020,000 stock options and \$9,973,579 from the exercise of 5,091,772 share purchase warrants.

### Subscription Receipts and Special Warrants

On October 30, 2019, the Company closed a private placement by issuing an aggregate of 6,800,000 subscription receipts at a price of \$0.40 per subscription receipt for gross proceeds of \$2,720,000. In November 2019, the Company closed a private placement by issuing an aggregate of 8,202,750 special warrants at a price of \$0.40 per special warrant for gross proceeds of \$3,281,100. Share issue costs of \$283,051 were incurred in connection with the subscription receipts and special warrants financings.

The subscriptions receipts were included in restricted cash as of December 31, 2019. On March 25, 2020, the Subscription Receipts and Special Warrants converted to 15,002,750 common shares.

### Stock Options and Warrants

The Directors of the Company adopted a stock option plan on December 12, 2019 (the "Option Plan"). The Option Plan provides that, subject to the requirements of the Exchange, the aggregate number of securities reserved for issuance will be 10% of the number of the Company's common shares issued and outstanding at the time such options are granted. Options may be granted under the Option Plan to such directors, officers, employees, management or consultants of the Company and its affiliates, if any, as the Board of Directors may from time to time designate. The Option Plan provides that the number of Common Shares that may be reserved for issuance to any one individual upon exercise of all stock options held by such individual may not exceed 5% of the issued common shares, if the individual is a director, officer, employee or consultant, or 2% of the issued common shares, if the individual is engaged in providing investor relations services, in a twelve month basis, unless disinterested shareholder approval is obtained. All options granted under the Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability.

During the period ended September 30, 2021, the Company granted 3,600,000 stock options exercisable at \$1.57 per options for term expiring five years from the date of grant to directors, officers and consultants of the Company. During the period ended September 30, 2020 the Company granted 345,000 stock options exercisable at \$0.40 per option for a term expiring five years from the date of listing on the TSX-V to directors, officers and consultants of the Company. The options vested upon listing on the TSX-V on April 14, 2020.

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**10. SHARE CAPITAL (cont'd...)**

**Stock Options and Warrants (cont'd...)**

During the period ended September 30, 2021, the Company recorded \$3,772,397 (2020 - \$1,041,023) of share-based payments expense related to stock options granted and vested.

The following weighted average assumptions were used for the valuation of stock options:

	Period ended September 30, 2021	Period ended September 30, 2020
Risk-free interest rate	0.95%	1.62%
Expected life of options	5 years	5 years
Annualized volatility	91.93%	100%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

The changes in the stock options and share purchase warrants for the period ended September 30, 2021, are as follows:

	Stock Options		Warrants	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Balance, December 31, 2019	4,150,000	\$ 0.40	-	\$ -
Granted	345,000	0.40	8,828,835	2.26
Exercised	(2,020,000)	0.40	(5,091,772)	1.95
Balance, December 31, 2020	2,475,000	0.40	3,737,063	2.68
Granted	3,600,000	1.57	-	-
<b>Balance, outstanding and exercisable, September 30, 2021</b>	<b>6,075,000</b>	<b>\$ 1.09</b>	<b>3,737,063</b>	<b>\$ 2.68</b>

The balance of stock options and share purchase warrants outstanding as at September 30, 2021 was as follows:

Expiry Date	Number	Exercise Price	Remaining Life (Years)
<b>Stock options</b>			
April 14, 2025	2,475,000	\$ 0.40	3.79
April 19, 2026	3,600,000	1.57	4.87
<b>Warrants</b>			
May 14, 2022	658,254	1.10	0.87
May 14, 2022	1,981,091	2.00	0.87
July 21, 2022	121,468	4.00	1.06
July 21, 2022	976,250	4.95	1.06

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**11. MANAGEMENT OF CAPITAL**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. The Company is dependent on the capital markets as its primary source of operating capital and the Company's capital resources are largely determined by its ability to compete for investor support of its projects.

There were no changes to the Company's approach to capital management during the period ended September 30, 2021.

**12. FINANCIAL INSTRUMENTS**

For financial instruments held by the Company, management classifies cash as FVTPL, and accounts payable and accrued liabilities, loans from related parties, Subscription Receipts, and deferred acquisition payments as amortized cost.

**a) Fair value of financial instruments**

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.

As at September 30, 2021, the Company believes that the carrying values of accounts payable and accrued liabilities approximate their fair values because of their nature and relatively short maturity dates or durations. The carrying value of deferred acquisition payments approximates fair value because the factors considered in assessing the fair value of this item have not changed from the issuance date to September 30, 2021. The fair value of cash is based on level 1 inputs of the fair value hierarchy.

**b) Management of risks arising from financial instruments**

Discussions of risks associated with financial assets and liabilities are detailed below:

*Credit risk*

Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash is held with reputable Canadian and Australian banks. The credit risk related to cash is considered minimal.

*Interest rate risk*

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize such a loss is limited because the Company has no interest-bearing financial instruments.

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**12. FINANCIAL INSTRUMENTS (cont'd...)**

**a) Management of risks arising from financial instruments (Cont'd...)**

*Liquidity risk*

The Company manages liquidity risk by maintaining sufficient cash to enable settlement of transactions as they come due. Management monitors the Company's contractual obligations and other expenses to ensure adequate liquidity is maintained.

Contractual cash flow requirements as at September 30, 2021, were as follows:

	<b>&lt; 1 year</b>	<b>1 – 2 years</b>	<b>3 – 5 years</b>	<b>Total</b>
Accounts payable and accrued liabilities	\$ 523,183	\$ -	\$ -	\$ 523,183
Lease liabilities	17,609	18,254	6,184	42,047
Deferred acquisition payments	68,715	-	-	68,715
<b>Total</b>	<b>\$ 609,507</b>	<b>\$ 18,254</b>	<b>\$ 6,184</b>	<b>\$ 633,945</b>

*Currency risk*

The international nature of the Company's operations results in foreign exchange risk. The Company's operating costs are primarily in Canadian dollars, Australian dollars and US dollars. Any fluctuations of the Canadian dollar in relation to these currencies may affect the profitability of the Company and the value of the Company's assets and liabilities. Management believes the foreign exchange risk derived from currency conversions is not significant and therefore does not hedge its foreign exchange risk.

**13. RELATED PARTY TRANSACTIONS**

Key management compensation consists of the Chairman, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and the Board of Directors. The Company incurred charges to directors and officers, or to companies associated with these individuals, during the periods ended September 30, 2021, and December 31, 2020, as follows:

	<b>September 30, 2021</b>	<b>September 30, 2020</b>
Directors' fees	\$ 54,000	\$ 45,000
Management fees	351,000	310,000
Exploration related and Geological consulting fees	357,073	160,000
Professional fees	193,395	248,641
Share issuance costs	-	72,476
Rent	33,237	-
Share-based payments	2,241,747	733,896
<b>Total</b>	<b>\$ 3,230,452</b>	<b>\$ 1,570,013</b>

As at September 30, 2021, \$86,353 (December 31, 2020 - \$114,753) was included in accounts payable and accrued liabilities owing to directors, officers, and companies controlled or affiliated with directors and officers of the Company in relation to fees and reimbursement of expenses.

On August 8, 2019, the Company assumed loans payable of AUD\$31,983 (CAD\$28,992) to a director and a company owned by a director of the Company as a result of the acquisition of Currawong. The loans were non-interest bearing, due on demand, unsecured and had no maturity date. The loans were repaid during the year ended December 31, 2020.

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**14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

There were no material non-cash transactions during the period ended September 30, 2021.

During the period ended September 30, 2020, the Company entered the following non-cash transactions:

- a) Issued 225,000 shares valued at \$333,000 as exploration and evaluation acquisition costs.
- b) Reclassified \$711,108 from exploration and evaluation assets to Held for Distribution assets.
- c) Issued broker warrant valued at \$1,083,170 as shares issuance costs

No cash was paid for interest or taxes for the periods ended September 30, 2021, and September 30, 2020.