

Condensed Consolidated Interim Financial Statements  
(In U.S. dollars) (Unaudited)

**GOLCONDA GOLD LTD.**  
(formerly GALANE GOLD LTD.)

For the three and nine month periods ended September 30, 2022 and September 30, 2021

The accompany unaudited condensed consolidated financial statements of Golconda Gold Ltd. (the “**Company**”) have been prepared by and are the responsibility of the Company’s management and approved by the board of directors of the Company (the “**Board of Directors**”).

The Company’s independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by an entity’s auditor.

# GOLCONDA GOLD LTD. (FORMERLY GALANE GOLD LTD.)

Condensed Consolidated Interim Statement of Financial Position  
(In U.S. dollars) (Unaudited)

As at September 30, 2022 and December 31, 2021

	Notes	September 30, 2022	December 31, 2021 <sup>1</sup>
<b>Assets</b>			
Current assets:			
Cash		343,853	889,561
Trade receivables and other assets	8	766,434	520,942
Inventories	9	542,741	446,786
Assets held for sale		-	18,270,822
		1,653,028	20,128,111
Non-current assets:			
Mining properties and plant and equipment	10	41,359,401	41,198,985
		41,359,401	41,198,985
		43,012,429	61,327,096

## Liabilities and Shareholders' Equity

Current liabilities:			
Accounts payable and accrued liabilities	11	3,412,080	2,532,352
Interest bearing loans and borrowings	12	1,878,636	2,317,484
Liabilities held for sale		-	18,270,821
		5,290,716	23,120,657
Non-current liabilities:			
Restoration and rehabilitation provision	13	2,668,423	2,834,859
Warrants denominated in a foreign currency	15	203,331	1,139,262
		2,871,754	3,974,121
Shareholders' equity:			
Share capital	15	58,149,241	58,149,241
Reserves	15	2,777,271	2,744,270
Deficit		(26,076,553)	(26,661,193)
		34,849,959	34,232,318
		43,012,429	61,327,096

<sup>1</sup> The comparative period balances have been restated due to the impact of amendments to IAS 16. Refer to Note 5.

Going Concern (Note 2)

Approved and authorized by the Board of Directors for issue on November 28, 2022:

“Ravi Sood” Director “Dino Titaro” Director

See accompanying notes to the consolidated financial statements.

# GOLCONDA GOLD LTD.

Condensed Consolidated Interim Statement of Earnings (Loss) and Comprehensive Earnings (Loss)  
(In U.S. dollars) (Unaudited)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2022	2021 <sup>1,2</sup>	2022	2021 <sup>1,2</sup>
Revenue		2,531,524	3,125,988	10,575,591	6,307,166
Operating cost	16	2,832,165	1,263,902	8,585,375	3,781,061
Earnings (loss) from operations		(300,641)	1,862,086	1,990,216	2,526,105
Expenses:					
Foreign exchange (gain) loss		(398,338)	(109,293)	(177,329)	(19,497)
Corporate general and administration	16	613,483	449,194	1,807,742	1,944,202
Financing (income) costs	16	(116,349)	(3,361,969)	(577,730)	(3,628,538)
Other expenses	16	500,000	428,372	500,000	1,275,983
		598,796	(2,593,696)	1,552,683	(427,850)
Earnings (loss) from continuing operations before taxation		(899,437)	4,455,782	437,533	2,953,955
Taxation	14	-	-	-	-
Net earnings (loss) and comprehensive income (loss) from continuing operations		(899,437)	4,455,782	437,533	2,953,955
Net earnings and comprehensive income from discontinued operations	6	-	752,602	147,107	2,882,511
Net earnings (loss) and comprehensive income (loss)		(899,437)	5,208,384	584,640	5,836,466
Basic and diluted earnings (loss) per common share from continuing operations	15	0.00	0.01	0.00	0.01
Basic and diluted earnings (loss) per common share from discontinued operations	15	0.00	0.00	0.00	0.01
Total basic and diluted earning (loss) per common share		0.00	0.01	0.00	0.02
Weighted average number of common shares – basic	15	356,366,541	329,808,601	356,366,541	290,465,263
Weighted average number of common shares – diluted	15	363,536,587	339,508,675	364,662,486	300,889,198

<sup>1</sup> The results of the operations at the Mupane Property (as defined below), as well as the restated comparative period, have been presented as discontinued operations. Refer to Note 6.

<sup>2</sup> The comparative period results have been restated due to the impact of amendments to IAS 16. Refer to Note 5.

See accompanying notes to the consolidated financial statements.

# GOLCONDA GOLD LTD.

Condensed Consolidated Interim Statement of Changes in Equity  
(In U.S. Dollars) (Unaudited)

Nine month periods ended September 30, 2022 and 2021

	Notes	Capital stock		Reserves		Total
		Number	Amount	Stock based payments	Deficit	
<b>Balance as at December 31, 2020</b>		254,964,760	46,215,643	2,848,215	(25,249,428)	23,814,430
Opening retained earnings adjustment – IAS 16	5				15,342	15,342
Common shares issued – private placement		44,028,700	3,806,444	-	-	3,806,444
Common shares issued – Summit acquisition		16,000,000	3,175,916	-	-	3,175,916
Debenture Conversion		12,328,184	1,662,731	-	-	1,662,731
Stock options exercised		5,200,000	639,074	(144,307)	-	494,767
Stock-based compensation		-	-	34,395	-	34,395
Net income and comprehensive income for the period		-	-	-	5,836,466	5,836,466
<b>Balance as at September 30, 2021<sup>1</sup></b>		332,521,644	55,499,808	2,738,303	(19,397,620)	38,840,491
Balance as at December 31, 2021 <sup>1</sup>		356,366,541	58,149,241	2,744,270	(26,661,193)	34,232,318
Stock-based compensation	15	-	-	33,001	-	33,001
Net income and comprehensive income for the period		-	-	-	584,640	584,640
<b>Balance as at September 30, 2022</b>		356,366,541	58,149,241	2,777,271	(26,076,553)	34,849,959

<sup>1</sup> The comparative period results have been restated due to the impact of amendments to IAS 16. Refer to Note 5.

See accompanying notes to the consolidated financial statements.

# GOLCONDA GOLD LTD.

Condensed Consolidated Interim Statement of Cash Flows  
(In U.S. Dollars) (Unaudited)

Nine month periods ended September 30, 2022 and 2021

	Notes	Nine months ended September 30,	
		2022	2021 <sup>1</sup>
Cash flows from operating activities:			
Net earnings (loss) for the period		437,533	2,953,955
Items not involving cash:			
Depreciation and amortization	10	873,054	-
Share based compensation	16	33,001	34,395
Accretion	16	193,158	193,158
Interest expense	16	165,043	130,505
Foreign exchange loss (gain)		(257,983)	(70,864)
Change in fair value of warrants	15	(935,931)	(4,646,477)
Deferred financing charges		(26,591)	82,062
Other income		300,000	-
Working capital adjustments:			
Change in trade and other receivables		(263,904)	327,514
Change in inventories		(102,365)	53,397
Change in trade and other payables		634,550	1,192,207
Cash flows from operating activities			
Continuing operations		1,049,565	249,852
Discontinuing operations		714,765	6,831,057
Cash flows from investing activities:			
Mining assets acquired	10	(1,033,470)	(9,186,324)
Cash flows used in investing activities			
Continuing operations		(1,033,470)	(9,186,324)
Discontinuing operations		(317,737)	(4,138,861)
Cash flow from financing activities:			
Private placement		-	8,505,944
Barak facility repayment and royalty	13	(2,398,316)	(2,427,723)
Prepayment facility		1,831,500	-
Repayment of shareholder loan (net) from discontinued operations		-	2,583,656
Cash flows from financing activities			
Continuing operations		(566,816)	8,661,877
Discontinuing operations		(248,859)	(4,658,978)
(Decrease) Increase in cash			
		(402,552)	(2,241,377)
Effect of unrealized foreign exchange gain on cash			
		5,097	(11,006)
Disposal of Mupane	6	(222,042)	-
Cash, at January 1			
		963,350	4,971,880
Cash, at September 30, of which:			
		343,853	2,719,497
Continuing operations		343,853	517,777
Discontinuing operations		-	2,201,720

<sup>1</sup> The results of the operations at the Mupane Property, as well as the restated comparative period, have been presented as discontinued operations. Refer to Note 6.

See accompanying notes to the consolidated financial statements.

# GOLCONDA GOLD LTD. (FORMERLY GALANE GOLD LTD.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(in U.S. Dollars)

For the three months ended September 30, 2022 and 2021

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## 1. Corporate Information

The Company was incorporated under the *Business Corporations Act* (Ontario) on October 24, 2007, and its principal business activities are the exploration for, development of, and operation of gold mining properties. The Company's registered and head office is located at Suite 1800, 181 Bay St., Toronto, Ontario, Canada.

## 2. Going Concern

The condensed consolidated interim financial statements were prepared using International Financial Reporting Standards ("IFRS") that are applicable to a going concern.

As at September 30, 2022, the Company had a working capital deficiency (current assets less current liabilities) of \$3.6 million compared to a deficiency of \$3.0 million at December 31, 2021. Earnings from continuing mining operations were \$0.4 million (earnings from discontinuing mining operations were \$0.1 million) for the nine months ended September 30, 2022. Cashflow from continuing operating activities was \$1.0 million (cashflow from discontinuing operating activities was \$0.7 million) for the nine months ended September 30, 2022. The Company has no material commitments for capital expenditures as of September 30, 2022.

The current commodity price and exchange rate environment can be volatile, which may have an impact on the Company's cash flows and the Company continues to review its near-term operating plans and to take steps to reduce costs and maximize cash flow generated from operations.

The Company's financial position and the ability to generate sufficient positive cash flow from operating activities result in material uncertainties that give rise to significant doubt as to the ability of the Company to continue as a going concern. Because of these uncertainties, there can be no assurance that the measures that management is taking to mitigate risks to the Company's liquidity position will be successful.

These condensed consolidated interim financial statements do not reflect adjustments to the carrying values of the assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used, that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

## 3. Basis of preparation

### (a) Statement of compliance

The unaudited condensed consolidated interim financial statements (the "**Financial Statements**") of the Company as at and for the three and nine months ended September 30, 2022 have been prepared in accordance with IAS 34, *Interim Financial Reporting*, and do not include all of the information required for full annual consolidated financial statements. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed.

### (b) Significant accounting judgments, estimates and assumptions

The preparation of the Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the Financial Statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are regularly evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The particular areas of estimation uncertainty and critical judgments are outlined in detail in

# GOLCONDA GOLD LTD. (FORMERLY GALANE GOLD LTD.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

For the three months ended September 30, 2022 and 2021

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Note 3(e) in the annual audited consolidated financial statements for the year ended December 31, 2021 (the “**Annual Financial Statements**”).

## (c) **Functional and presentation currency**

These Financial Statements are presented in U.S. dollars, which is the functional currency of the Company and each of its subsidiaries. All amounts are in U.S. dollars, except where otherwise indicated.

## 4. **Significant Accounting Policies**

These Financial Statements have been prepared following the same accounting policies and methods of computation as the Annual Financial Statements. Please see Note 4 in the Annual Financial Statements for further information.

## 5. **New and amended IFRS Standards that are effective for the current year**

### **IAS 16 – Property Plant and Equipment**

On May 14, 2020, the International Accounting Standard Board (IASB) published the narrow scope amendment to IAS 16 *Property, Plant and Equipment – Proceeds before Intended Use*. The amendment prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, amounts received will be recognized as sales proceeds and the related costs in profit and loss.

The effective date was for periods beginning on or after January 1, 2022.

The amendments have been applied retrospectively for items of property, plant and equipment that are made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The impact of these amendments has resulted in the following restatements to the comparative period.

- Increased mining properties by \$2,541,446 as at September 30, 2021 and as at December 31, 2021;
- Increased shareholders’ equity by \$2,541,446 as at September 30, 2021 and as at December 31, 2021;
- Increased revenue by \$6,307,166 for the nine month period ended September 30, 2021;
- Increased mining cost by \$3,781,061 for the nine month period ended September 30, 2021; and
- Increased cash inflows from operating activities by \$2,526,105 and increased cash outflows from investing activities by \$2,526,105 for the nine month period ended September 30, 2021.

## 6. **Disposal of the Mupane Property**

On November 29, 2021, the Board of Directors approved the disposition of the Company’s interests in Botswana, namely the Mupane gold mine in Botswana (the “**Mupane Property**”).

On February 7, 2022, the Company entered into definitive agreements to sell 100% of the issued and outstanding share capital of the Company’s subsidiaries that own the Mupane Property to Hawks Mining Company Proprietary Limited, a company registered under the laws of Botswana and owned by certain individuals forming part of the Company’s local Botswana management team. On May 3, 2022 the disposal of the Mupane Property was completed.

# GOLCONDA GOLD LTD. (FORMERLY GALANE GOLD LTD.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

For the three months ended September 30, 2022 and 2021

The carrying amounts of the Mupane Property as at the date of disposal and the resulting loss on sale are as follows:

	May 3, 2022
<i>Assets:</i>	
Cash	222,042
Trade receivables and other assets	1,169,192
Inventories	3,832,962
Mining and exploration properties and plant and equipment	12,457,347
	17,681,543
<i>Liabilities:</i>	
Accounts payable and accrued liabilities	8,816,060
Interest-bearing loans and borrowings	5,852,090
Restoration and rehabilitation provision	2,668,717
	17,336,867
<b>Loss on sale</b>	<b>344,676</b>

The net earnings from discontinued operations for the three and nine month periods ended September 30, 2022 and 2021 were as follows:

	Three months ended September 30,		Nine months ended September 30	
	2022	2021	2022	2021
Revenue	2,546,338	10,454,982	9,842,724	20,524,722
Operating cost	(2,178,223)	(8,970,572)	(8,690,347)	(18,149,753)
Earnings from mining operations	368,115	1,484,410	1,152,377	2,374,969
Expenses:				
Foreign exchange (gain) loss	(55,896)	143,156	143,407	(5,684)
Financing costs	38,946	162,908	157,715	248,853
Impairment	-	-	362,334	-
Other expenses (income)	(2,111)	(958)	(2,862)	1,892
Loss on sale	344,676	-	344,676	-
	325,615	305,106	1,005,270	245,061
Earnings from discontinuing operations before taxation	42,500	1,179,304	147,107	2,129,908
Taxation	-	-	-	-
Net earnings and comprehensive income from discontinuing operations	42,500	1,179,304	147,107	2,129,908

# GOLCONDA GOLD LTD. (FORMERLY GALANE GOLD LTD.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

For the three months ended September 30, 2022 and 2021

## 7. Summit Acquisition

On May 19, 2021 the Company completed the acquisition (the “**Summit Acquisition**”) of the Summit Mine and the infrastructure constituting the Banner Mill in New Mexico (the “**Assets**”) from Pyramid Peak Mining, LLC, a wholly owned subsidiary of Waterton Precious Metals Fund II Cayman, LP (the “**Seller**”). The Summit Acquisition was accounted for as an asset acquisition.

The aggregate consideration to be paid for the Assets is up to \$17.0 million, of which \$8.8 million has been paid, consisting of (i) cash consideration of \$6.0 million paid on closing of the Summit Acquisition; (ii) the issuance to the Seller on closing of the Summit Acquisition of 16 million common shares of the Company (“common shares”) at a fair value of C\$0.24 per common share and warrants to purchase up to 16 million common shares exercisable at a price of C\$0.30 per common share for a period of three years from closing; and (iii) cash consideration of \$8.2 million upon commencement of production at the mine.

On initial recognition of the Summit Acquisition the Company recognised a total of \$11.2 million in property plant and equipment, with \$6.0 million paid in cash, \$3.2 million attributable to the issuance of common shares, \$1.4 million attributable to warrants, and \$0.6 million attributable to transaction costs. The \$8.2 million payment due upon commencement of production at the mine is being treated as contingent consideration in an asset acquisition and will be recognised once production has commenced.

## 8. Trade receivables and other assets

	September 30, 2022	December 31, 2021
Trade receivables	559,913	184,465
Taxes recoverable	38,427	56,956
Prepaid expenses	51,323	70,845
Other receivables	116,771	208,676
	766,434	520,942

## 9. Inventories

The amount of inventories recognized as an expense during the period is included in mining costs in the condensed consolidated interim statement of earnings and comprehensive earnings. The carrying values at the end of the respective periods are:

	September 30, 2022	December 31, 2021
Finished goods	261,389	96,785
Supplies	182,371	282,792
Ore Stockpiles	98,981	67,209
	542,741	446,786

# GOLCONDA GOLD LTD. (FORMERLY GALANE GOLD LTD.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

For the three months ended September 30, 2022 and 2021

## 10. Mining assets and plant and equipment

The continuity of mining assets for the nine month period ended September 30, 2022 is as follows:

	Mining Properties	Construction in Progress	Plant and Equipment	Total
Cost at December 31, 2021	111,558,265	723,653	16,801,764	129,083,682
Movements:				-
Additions	1,216,511	-	118,462	1,334,973
Impairment	(362,334)	-	-	(362,334)
Disposal of Mupane	(77,183,922)	(155,741)	(8,712,235)	(86,051,898)
Cost at September 30, 2022	35,228,520	567,912	8,207,991	44,004,423
Accumulated depreciation and amortization at December 31, 2021	(68,047,024)	-	(7,335,729)	(75,382,753)
Depreciation and amortization for the period	(383,224)	-	(489,831)	(873,055)
Disposal of Mupane	67,862,078	-	5,748,708	73,610,786
Accumulated depreciation and amortization at September 30, 2022	(568,170)	-	(2,076,852)	(2,645,022)
Net book value, September 30, 2022	34,660,350	567,912	6,131,139	41,359,401

The continuity of mining assets for the year ended December 31, 2021 is as follows:

	Mining Properties	Construction in Progress	Plant and Equipment	Total
Cost at December 31, 2020	93,482,856	11,890,761	7,890,685	113,264,302
Movements:				
IAS 16 Amendment	2,541,446			2,541,446
Additions <sup>(1)</sup>	17,156,124	1,086,323	292,907	18,535,354
Capitalised Interest	450,430	-	-	450,430
Impairment	(5,707,850)			(5,707,850)
Transfers	3,635,259	(12,253,431)	8,618,172	-
Cost at December 31, 2021	111,558,265	723,653	16,801,764	129,083,682
Accumulated depreciation and amortization at December 31, 2020	(65,532,652)	-	(6,313,393)	(71,846,045)
Depreciation and amortization	(2,514,372)	-	(1,022,336)	(3,536,708)
Accumulated depreciation and amortization at December 31, 2021	(68,047,024)	-	(7,335,729)	(75,382,753)
Net book value, December 31, 2021				
- continuing	34,048,902	567,912	6,582,171	41,198,985
- held for sale	9,462,339	155,741	2,883,864	12,501,944
	43,511,241	723,653	9,466,035	53,700,929

# GOLCONDA GOLD LTD. (FORMERLY GALANE GOLD LTD.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

For the three months ended September 30, 2022 and 2021

## 11. Trade accounts payable and accrued liabilities

	September 30, 2022	December 31, 2021
Trade accounts payable	3,158,478	2,303,287
Accrued liabilities	253,602	229,065
	<u>3,412,080</u>	<u>2,532,352</u>

Trade payables and accrued liabilities are non-interest bearing.

## 12. Loans and borrowings

	September 30, 2022	December 31, 2021
Current:		
Barak loan facility	-	2,152,532
Barak royalty	17,544	164,952
Concentrate prepayment facility	1,861,092	-
	<u>1,878,636</u>	<u>2,317,484</u>

On October 2, 2018, the Company entered into a loan agreement with Barak Fund SPC Limited (“**Barak**”) with respect to a \$5,000,000 secured loan facility (the “**Barak Facility**”), for a term ending three years from the date of the first drawdown and bearing interest at a rate of 14% per annum. The funds have been used towards the refurbishment and expansion of the processing facilities and restarting underground mining operations at the Galaxy gold mine in Barberton, South Africa (“**Galaxy**”). The Company agreed to pay to Barak, or its nominee, 0.75% of the net proceeds accruing to Galaxy under an off-take agreement covering the annual gold concentrate production of the Agnes gold mine in Barberton owned and operated by Galaxy, after taking into account all attributable logistics and freight costs, State Royalties (as defined in the Barak Facility) and value-added tax (if applicable) during the period over which the loan remained outstanding. During the quarter ended September 30, 2022, the Company fully repaid the Barak Facility and the net proceeds payments ceased accruing.

On August 3, 2022, the Company entered into a new gold concentrate offtake agreement (“**Ocean Partners Offtake Agreement**”) with Ocean Partners UK Limited (“**Ocean Partners**”) which included providing the Company with an unsecured \$3,000,000 revolving credit facility (“**Ocean Partners Facility**”). Interest and principal for the Ocean Partners Facility will be repaid against deliveries of gold concentrate or cash by the Company to Ocean Partners under the Ocean Partners Offtake Agreement. The Company can elect to repay the full principal amount outstanding under the Ocean Partners Facility and any accrued interest without any penalty with two weeks of advance notice. Once a drawdown under the Ocean Partners Facility is repaid, such amount can subsequently be redrawn.

## 13. Restoration and rehabilitation provision

At December 31, 2021	2,834,859
Foreign exchange revaluation	(359,594)
Accretion	193,158
At September 30, 2022	<u>2,668,423</u>

# GOLCONDA GOLD LTD. (FORMERLY GALANE GOLD LTD.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

For the three months ended September 30, 2022 and 2021

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## 14. Income and Mining Taxes

The Company estimates the effective tax rate expected to be applicable for the full fiscal year and uses that rate to provide for income taxes in interim reporting periods. The Company also recognizes the tax impact on certain discrete (unusual or infrequently occurring) items, including changes in judgment concerning the probable realization of losses and effects of changes in tax laws or rates, in the interim period in which they occur.

As a result of the effect of utilization of loss carry forwards available to the Company, the Company reported no income tax expense for the three and nine months ended September 30, 2022 (three and nine months ended September 30, 2021 - \$nil). The effective income tax rates vary from the combined Canadian federal and provincial statutory income tax rate of 26.50% for the three and nine months ended September 30, 2022 (three and nine months ended September 30, 2021 – 26.50%) due to the geographical distribution of earnings, which are subject to different tax rates, fluctuations in exchange rates, changes in unrecognized deferred tax assets and other non-deductible expenses.

## 15. Share Capital

### (a) Authorized share capital:

As at September 30, 2022, the authorized share capital of the Company consisted of an unlimited number of common shares. All issued shares are fully paid.

### (b) Issued share capital:

As at September 30, 2022, 356,366,541 common shares were issued and outstanding.

On April 8, 2021 the Company completed a private placement of 44,028,700 subscription receipts at a price of C\$0.22 per subscription receipt. Upon completion of the Summit Acquisition on May 19, 2021, each subscription receipt holder received one common share and one common share purchase warrant of the Company (a “SR Warrant”). Each SR Warrant entitles the holder thereof to purchase one common share at a price of C\$0.30, for a period of three years following the closing of the Summit Acquisition. As partial consideration for the Summit Acquisition, the Company issued an additional 16,000,000 common shares at a fair value of C\$0.24 per common share, and warrants to purchase up to 16,000,000 common shares on the same terms as the SR Warrants.

On May 27, 2021, the Company issued 5,610,200 common shares pursuant to the conversion of \$600,000 of principal amount of debenture and \$29,195 of interest payable on such principal.

On June 16, 2021, the Company issued 6,717,984 common shares pursuant to the forced conversion of \$834,350 of principal amount of debenture and \$199,186 of interest payable on such principal.

On November 11, 2021, the Company issued 23,844,897 common shares pursuant to the conversion of \$2,649,433 of principal amount of debenture

Note that subsequent to the quarter ended September 30, 2022, the Company completed a share consolidation on the basis of one new common share for every five existing common shares (the “**Consolidation**”). See Note 19 for further information.

# GOLCONDA GOLD LTD. (FORMERLY GALANE GOLD LTD.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

For the three months ended September 30, 2022 and 2021

## (c) Stock Options:

The Company has an omnibus equity incentive plan (the “**Equity Incentive Plan**”), which replaced the Company’s existing stock option plan and deferred share unit (“**DSU**”) plan effective May 23, 2022. Under the Equity Incentive Plan, options may be granted to directors, officers, employees and consultants. As at September 30, 2022, options to purchase up to a maximum of 35,636,654 common shares were issuable under the Equity Incentive Plan, of which options to purchase up to 30,886,654 common shares remained available for issuance.

The following is a summary of stock options outstanding as at September 30, 2022 and December 31, 2021 along with changes during the periods then ended:

	Number of Options	Weighted Average Exercise Price (CDN\$)
Balance December 31, 2020	12,700,000	\$ 0.10
Options granted	(5,200,000)	0.12
Options forfeited	(2,000,000)	0.12
Balance December 31, 2021	5,500,000	0.09
Options forfeited	(750,000)	0.09
Balance September 30, 2022 <sup>(1) (2)</sup>	4,750,000	\$ 0.09

<sup>(1)</sup> The weighted average time to expiration for outstanding options is 1.9 years. The range of exercise price is Cdn.\$0.085 to Cdn.\$0.125.

<sup>(2)</sup> As at September 30, 2022, 2,962,500 options were exercisable (December 31, 2021 – 2,250,000).

## (d) Earnings (loss) per share:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Earnings (loss) attributable to Golconda Shareholders				
- Continuing operations	(899,437)	4,455,782	437,533	2,953,955
- Discontinuing operations	-	752,602	147,107	2,882,511
Weighted average number of common shares outstanding for purposes of basic earnings per share	356,366,541	329,808,601	356,366,541	290,465,263
Dilutive options and deferred share units	7,170,046	9,700,074	8,295,945	10,423,935
Weighted average number of common shares outstanding for the purpose of diluted earnings per share	363,536,587	339,508,675	364,662,486	300,889,198
Earnings (loss) per share				
- Continuing operations – Basic and Diluted	0.00	0.01	0.00	0.01
- Discontinuing operations – Basic and Diluted	0.00	0.00	0.00	0.01

Basic earnings (loss) per share is computed by dividing the earnings (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution of outstanding deferred share units, warrants and stock options in the weighted average number of common shares outstanding during the period, if dilutive.

# GOLCONDA GOLD LTD. (FORMERLY GALANE GOLD LTD.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

For the three months ended September 30, 2022 and 2021

## (e) Deferred Share Units

The Company may grant DSUs to directors, officers, employees and consultants under the Company's equity incentive plan. As at September 30, 2022, a maximum of 35,636,654 DSUs and other forms of share-based incentives (excluding stock options) were issuable under the Equity Incentive Plan, of which 28,466,608 remained available for issuance. As at September 30, 2022, a maximum of 7,170,046 common shares may be issued pursuant to outstanding DSUs.

During the three and nine month period ended September 30, 2022, the Company did not issue any shares under the Equity Incentive Plan.

## (f) Warrants:

The following is a summary of warrants outstanding as at September 30, 2022 and December 31, 2021 and changes during the periods then ended:

	Number of Warrants	Weighted Average Exercise Price (CDN\$)
Balance, December 31, 2020	-	-
Issued	63,077,302	0.30
Balance, December 31, 2021	63,077,302	0.30
Balance, September 30, 2022	63,077,302	0.30

The outstanding warrants have expiry dates between May 19, 2023 and May 19, 2024.

The following is a summary of the value of the warrants outstanding as at September 30, 2022 and December 31, 2021 and changes during the periods then ended:

	Warrants denominated in a foreign currency (\$)
Balance, December 31, 2020	-
Exercised	5,643,823
Revaluation at exercise date	(4,504,561)
Balance, December 31, 2021	1,139,262
Revaluation at balance date	(935,931)
Balance, September 30, 2022	203,331

# GOLCONDA GOLD LTD. (FORMERLY GALANE GOLD LTD.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

For the three months ended September 30, 2022 and 2021

## 16. Breakdown of costs

### (a) Operating costs

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Mining and production	2,173,563	1,048,180	6,315,613	3,188,372
Administrative	441,464	215,722	1,396,707	592,689
Total	2,615,027	1,263,902	7,712,320	3,781,061
Depreciation and amortization	217,138	-	873,055	-
	2,832,165	1,263,902	8,585,375	3,781,061

### (b) Corporate and General Administration

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Professional Fees	124,276	147,017	617,968	644,933
Share Based Compensation	8,160	9,337	33,001	34,395
Corporate Administration	481,047	292,840	1,156,774	1,264,874
	613,483	449,194	1,807,743	1,944,202

### (c) Financing (income) costs

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Finance costs	49,481	32,353	165,043	130,505
Increase / (decrease) in fair value of warrants denominated in foreign currency	(230,216)	(3,458,490)	(935,931)	(4,646,477)
Accretion	64,386	64,168	193,158	192,984
Other finance costs	-	-	-	694,450
	(116,349)	(3,361,969)	(577,730)	(3,628,538)

### (d) Other expenses

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Other expenses	500,000	27,353	500,000	81,464
Galaxy pre-start costs	-	401,019	-	1,194,519
	500,000	428,372	500,000	1,275,983

Other expenses incurred in the three and nine month periods ended September 30, 2022 represent net costs associated with the early termination of the Company's original offtake agreement, enabling entering into the new offtake agreement and associated prepayment facility detailed in Note 12.

# GOLCONDA GOLD LTD. (FORMERLY GALANE GOLD LTD.)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(In U.S. Dollars)

For the three months ended September 30, 2022 and 2021

## 17. Related party transactions

The remuneration of directors and other members of key management personnel during the three and nine months ended September 30, 2022 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Salaries	204,206	177,840	701,741	938,054
Management fees <sup>(1)</sup>	43,102	45,169	134,892	137,133
Directors fees	27,349	30,266	86,537	89,237
Share-based compensation <sup>(2)</sup>	8,160	9,367	33,001	34,395
	282,817	262,642	956,171	1,198,819

(1) Management fees represent compensation paid to officers of the Company pursuant to contracts for services.

(2) Share-based compensation is the fair value of options and deferred share units granted and vested with key management personnel.

On August 13, 2020, the Company entered into loan agreements with its Chief Executive Officer, Chief Operating Officer, and former Chief Financial Officer (collectively, the “**Executives**”) as partial compensation for the services provided by the Executives in 2019. The loans are non-interest bearing, non-recourse loans with a term of three years. Pursuant to the terms of the loan agreements, the Executives used the proceeds of the loans to exercise 4,563,000 warrants held by the Executives. The shares issued to the Executives on exercise of the warrants are held by the Company as security for the outstanding loan balance. In February 2022, the Company settled C\$118,482 of the loans with certain Executives. The loan receivable balance at September 30, 2022 is C\$109,668.

## 18. Segmented information

The Company operates in one reportable segment, being the exploration, development and operation of gold mining properties. All the Company’s equipment and mining assets are located in North America and the Republic of South Africa. A breakdown of the total assets by geographic segment is as follows:

	North America	South Africa	Total
Cash	95,506	248,347	343,853
All other assets	11,641,572	31,027,004	42,668,576
Balance, September 30, 2022	11,737,078	31,275,351	43,012,429

## 19. Subsequent Events

On October 21, 2021 the Company changed its name from “Galane Gold Ltd” to “Golconda Gold Ltd.” and completed the Consolidation, on the basis of one new common share for every five existing common shares (the “**Consolidation**”). All common share, stock options, DSUs, restricted share units, performance share units and share purchase warrant numbers referenced in these interim financial statements, as well as any associated common share prices or conversion prices, are presented on a pre-Consolidation basis.