



Quantus Resources Corp.

Condensed Interim Financial Statements

For the three months ended March 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars)

Notice of Disclosure of Non-Auditor Review of the Condensed Interim Financial Statements for the three months ended March 31, 2022 and 2021.

Pursuant to subsection 4.3(3)(a) of National Instrument 51-102 - Continuous Disclosure Obligations, issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of Quantus Resources Corp. (the "Company") for the interim period ended March 31, 2022, have been prepared in accordance with the International Accounting Standard 34 - *Interim Financial Reporting* as issued by the International Accounting Standards Board and are the responsibility of the Company's management.

The Company's independent auditors, Davidson & Company LLP, have not performed a review of these condensed interim financial statements.

May 27, 2022

Quantus Resources Corp.
Condensed Interim Statements of Financial Position
(Unaudited - Expressed in Canadian dollars)

	Note	March 31, 2022	December 31, 2021
		\$	\$
ASSETS			
Current			
Cash		12,629	9,333
Restricted cash	4	1,426,180	1,356,180
Receivables	5	28,323	30,562
Deferred transaction costs	15	162,550	146,232
Prepaid expenses		2,632	2,632
Total current assets		1,632,314	1,544,939
Non-current			
Exploration and evaluation assets	6	1,400,795	1,393,949
TOTAL ASSETS		3,033,109	2,938,888
LIABILITIES			
Current			
Accounts payable and accrued liabilities	7,11	313,178	273,388
Loans payable	8,11	94,976	96,068
Convertible debentures	9,11	67,480	68,390
Share subscription payable	10	1,426,300	1,356,300
Total liabilities		1,901,934	1,794,146
SHAREHOLDERS' EQUITY			
Share capital	10	6,712,012	6,712,012
Equity component of convertible debentures	9	949	949
Reserves	10	29,870	29,870
Deficit		(5,611,656)	(5,598,089)
Total shareholders' equity		1,131,175	1,144,742
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,033,109	2,938,888

Nature of operations and going concern (Note 1)

Commitments (Note 14)

Subsequent events (Note 16)

Approved and authorized for issuance on behalf of the Board of Directors on May 27, 2022

<u>"David Paxton"</u>	Director	<u>"Alex Tsakumis"</u>	Director
David Paxton		Alex Tsakumis	

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

Quantus Resources Corp.

Condensed Interim Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in Canadian dollars, except number of shares outstanding)

	Notes	Three months ended March 31,	
		2022	2021
		\$	\$
Operating expenses			
Interest expense	8, 9, 11	3,651	1,950
Management fees	11	4,500	4,500
Office		214	393
Professional fees	11	7,688	10,916
Total operating expenses		16,053	17,759
Other (income) expenses			
Foreign exchange (gain) loss		(2,486)	349
Net loss and comprehensive loss for the period		13,567	18,108
Weighted average number of common shares outstanding			
Basic and diluted		38,004,685	38,004,685
Loss per share			
Basic and diluted		(0.00)	(0.00)

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

Quantus Resources Corp.
Condensed Interim Statements of Cash Flows
(Unaudited - Expressed in Canadian dollars)

	Three months ended March 31,	
	2022	2021
	\$	\$
Operating activities		
Net loss and comprehensive loss for the period	(13,567)	(18,108)
Adjustments for non-cash items:		
Accrued interest expense	3,651	1,950
Unrealized foreign exchange gain	(2,486)	(784)
Changes in non-cash working capital items:		
Receivables	2,239	(1,471)
Deferred transaction costs	(16,318)	(9,553)
Prepaid expenses	-	6,975
Accounts payable and accrued liabilities	29,777	(12,361)
Net cash provided by (used in) operating activities	3,296	(33,352)
Investing activities		
Blackhawk Property expenditures	-	(32,510)
Net cash used in investing activities	-	(32,510)
Financing activities		
Deposit from share subscription	70,000	-
Net cash provided by financing activities	70,000	-
Net increase (decrease) in cash	73,296	(65,862)
Cash and restricted cash, beginning of period	1,365,513	146,807
Cash and restricted cash, end of period	1,438,809	80,945

Supplemental disclosures with respect to cash flows:

There was no cash paid for interest or taxes for the three months ended March 31, 2022 and 2021.

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

Quantus Resources Corp.

Condensed Interim Statements of Changes in Shareholders' Equity

(Unaudited – Expressed in Canadian dollars, except number of shares outstanding)

	Common shares	Share capital	Share subscription deposit	Equity component of convertible debentures	Reserves	Deficit	Total shareholders' equity
	#	\$	\$	\$	\$	\$	\$
Balance, December 31, 2020	37,953,574	6,692,012	20,000	949	29,870	(5,474,234)	1,268,597
Common shares issued for cash	200,000	20,000	(20,000)	-	-	-	-
Net loss and comprehensive loss for the period	-	-	-	-	-	(18,108)	(18,108)
Balance, March 31, 2021	38,153,574	6,712,012	-	949	29,870	(5,492,342)	1,250,489
Net loss and comprehensive loss for the period	-	-	-	-	-	(105,747)	(105,747)
Balance, December 31, 2021	38,153,574	6,712,012	-	949	29,870	(5,598,089)	1,144,742
Net loss and comprehensive loss for the period	-	-	-	-	-	(13,567)	(13,567)
Balance, March 31, 2022	38,153,574	6,712,012	-	949	29,870	(5,611,656)	1,131,175

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

Quantus Resources Corp.

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars, unless otherwise noted)

1. NATURE OF OPERATIONS AND GOING CONCERN

Quantus Resources Corp. ("Quantus" or the "Company") is a privately held mineral exploration company whose principal business activity is in the acquisition and exploration of mineral property interests in the United States. The Company was incorporated on June 16, 2010 under the laws of British Columbia. The head office, records office and registered office of the Company are located at Suite 1400 - 1125 Howe Street, Vancouver, British Columbia, Canada.

On September 22, 2020, the Company entered into binding acquisition and arrangement agreements (collectively, the "Arrangement Agreement") with KAPA Capital Inc. ("KCI"), whereby KCI will acquire all of the Company's issued and outstanding common shares via a one-to-one share exchange (Note 15).

These unaudited condensed interim financial statements for the three months ended March 31, 2022 and 2021 (the "interim financial statements") have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company continues to be dependent upon its ability to finance its operations and exploration programs through financing activities that may include issuances of debt or equity securities. The recoverability of the carrying value of exploration projects, and ultimately, the Company's ability to continue as a going concern, is dependent upon the existence and economic recovery of reserves, the ability to finance the development of the properties, and upon future profitable production or, alternatively, upon the Company's ability to dispose of its interest on an advantageous basis, all of which are uncertain.

While the Company has been successful in obtaining financing in the past, there is no assurance that such financing will be available or be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. These financial statements do not include adjustments to balances and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

As of the date of these financial statements, COVID-19 has had no impact on the Company's ability to access and explore its current properties but may impact the Company's ability to raise funding or explore its properties should travel restrictions related to COVID-19 be extended or expanded in scope.

2. BASIS OF PRESENTATION

Statement of compliance

These interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards and interpretations of the International Financial Reporting Interpretations Committee applicable to the preparation of interim financial statements including International Accounting Standard 34 - *Interim Financial Reporting*. These interim financial statements do not include all disclosures required for annual audited financial statements. Accordingly, they should be read in conjunction with the notes to the Company's annual audited financial statements for the year ended December 31, 2021 (the "annual financial statements"), which include the information necessary or useful to understanding the Company's business and financial statement presentation. In particular, the Company's use of judgements and estimates and significant accounting policies of those annual financial statements and have been consistently applied in the preparation of the interim financial statements. The accounting policies followed in these interim financial statements are consistent with those applied in the Company's annual financial statements.

These financial statements were approved by the Board of Directors and authorized for issue on May 25, 2022.

Basis of measurement

These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional and presentational

These financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the Company. Amounts denominated in United States dollars are denoted as US\$.

Quantus Resources Corp.

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars, unless otherwise noted)

3. SIGNIFICANT ACCOUNTING POLICIES

Critical accounting estimates

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the reporting period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i) The valuation of shares issued in non-cash transactions. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.
- ii) The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.
- iii) The convertible debentures are determined to be compound instruments, comprising a financial liability (debt obligation) and equity component (conversion feature). As the debentures are convertible into common shares, the debt and conversion feature are presented separately.

Using the residual value method, the equity component is the difference between the principal amount and the present value of the debenture component. The debentures component is accreted using the effective discount rate over the term of the debentures, such that the carrying amount of the financial liability will equal the principal balance at maturity.

The accounting policies and methods of computation followed in preparing these interim financial statements are the same as those followed in preparing the most recent audited annual financial statements. For a complete summary of significant accounting policies, please refer to note 3 of the Company's annual financial statements.

4. RESTRICTED CASH

As at March 31, 2022, the Company received \$1,426,180 (December 31, 2021 - \$1,356,180), net, in subscription receipts for units as part of the Company's financing (Note 10).

5. RECEIVABLES

The Company's receivables consist of goods and services taxes receivable.

6. EXPLORATION AND EVALUATION ASSETS

	Blackhawk Property
	\$
Balance, December 31, 2020	1,297,776
Exploration expenditures:	
Field costs	7,357
Legal and insurance	8,752
Mapping and reports	18,750
Mining claims	35,072
Property maintenance costs	20,516
Title claim	5,726
Balance, December 31, 2021	1,393,949
Exploration expenditures:	
Field costs	4,562
Legal and insurance	2,284
Balance, March 31, 2022	1,400,795

Blackhawk Property

The Company entered into an option agreement to acquire a 100% interest in certain claims, patents and leases which comprise the Blackhawk Property located near the Lucerne Valley in San Bernardino County, California, a natural resource exploration project targeting gold and other metals and minerals.

Quantus Resources Corp.

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(Unaudited - Expressed in Canadian dollars, unless otherwise noted)

6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

The Company obtained this option to acquire a 100% interest in the Blackhawk Property from Blackcali Ventures Ltd (the "Blackcali"), a related party, via assignment of Blackcali's rights and obligations under a pre-existing agreement that Blackcali had with the vendor of the Blackhawk Property (the "Letter of Intent"). Consideration payable by the Company to Blackcali for the assignment of such rights and obligations includes:

- a) Pay US\$1,500 and allot and issue 25,000 common shares to certain creditors of Blackcali;
- b) allot and issue 150,000 common shares in the capital stock of the Company to settle pre-existing special warrants previously granted by Blackcali when Blackcali held the option to acquire a 100% interest in the Blackhawk Property;
- c) pay the amount of all expenses incurred by Blackcali under the Letter of Intent to Blackcali;
- d) extraction of 10,000 tons of bulk sample for metallurgical work, with royalty applicable to sales on sample, and no commercial activities allowed until all payments and issuances are settled;
- e) pay a royalty to Blackcali equal to 2% of net smelter returns in regard of any sales of minerals other than gravel, sand or rock derived from any mineral claims in the area of influence of three miles immediately surrounding the perimeter of the Blackhawk Property, and;
- f) pay a royalty to Blackcali equal to 1% in regard of any sales of gravel, sand or rock derived from any mineral claims in the area of influence of three miles immediately surrounding the perimeter of the Blackhawk Property.

On November 9, 2017, in connection with the consideration payable by the Company as outlined above, the Company issued 25,000 common shares, valued at \$10,000, to certain creditors of Blackcali, 150,000 common shares, valued at \$60,000, to settle pre-existing special warrants previously granted by Blackcali, and 162,500 common shares, valued at \$65,000 issued to BlackCali.

As part of the arrangement, the Company agreed to pay the vendors of the Blackhawk Property an aggregate of US\$660,000 over several installments between the date of the option exercise and October 15, 2019, of which \$304,357 (US\$185,000) was paid December 31, 2017. The payments made to the vendor of the Blackhawk Property were:

- \$264,652 (US\$175,000) paid during the year ended December 31, 2018;
- \$280,652 (US\$212,000) paid during the year ended December 31, 2019; and
- \$232,342 (US\$175,000) paid during the year ended December 31, 2020.

The Blackhawk Mineral Property Option Agreement was amended and restated during the year December 31, 2020, to include the issuance of 750,000 common shares when the Company enters into a Statutory Plan of Arrangement (Note 15).

During the year ended December 31, 2021, the Company entered into an amending agreement with BlackCali, originally dated February 21, 2020, which extends the date of the 750,000 shares to be issued on or before December 31, 2021 (previously June 30, 2021). On December 15, 2021, the Company entered into an amendment agreement to extend the date of the 750,000 shares to be issued on or before February 28, 2022. On February 25, 2022, the Company entered into an amendment agreement with Blackhawk Rising to extend the date to issue the 750,000 share options from February 28, 2022 to April 30, 2022.

During the three months ended March 31, 2022, the Company incurred \$6,846 in costs related to Blackhawk Property.

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristics of many mineral property interests. The Company has investigated title to its mineral property interests and, to the best of its knowledge, title to the mineral property interests remains in good standing.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at March 31, 2022 and December 31, 2021, accounts payable and accrued liabilities consist of the following:

	March 31, 2022	December 31, 2021
	\$	\$
Trade payables	217,087	160,184
Due to related parties (Note 11)	55,406	42,834
Accrued liabilities	14,655	47,991
Interest payable (Notes 8, 9, 11)	26,030	22,379
	313,178	273,388

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(Unaudited - Expressed in Canadian dollars, unless otherwise noted)

8. LOANS PAYABLE

	March 31, 2022	December 31, 2021
	\$	\$
Balance, beginning of the period	96,068	-
Additions	-	96,452
Foreign exchange gain	(1,092)	(384)
Balance, end of period	94,976	96,068

On July 19, 2021, the Company received loans from officers and directors of the Company for a total of \$76,452 (US\$60,000) at the interest rate of 6% per annum, and payable upon demand. During the three months ended March 31, 2022, the Company incurred an interest expense of \$1,124 (US\$888) (2021 - \$nil), relating to the loans payable. The interest payable is recognized within accounts payable and accrued liabilities (Note 7).

On December 6, 2021, the Company received a loan from a director of the Company for a total of \$20,000. The loan bears interest at a rate of 6% per annum and is payable on demand. During the three months ended March 31, 2022, the Company incurred an interest expense of \$377 (2021 - \$nil), relating to the loans payable. The interest payable is recognized within accounts payable and accrued liabilities (Note 7).

9. CONVERTIBLE DEBENTURES

	March 31, 2022	December 31, 2021
	\$	\$
Balance, beginning of the period	68,390	68,653
Foreign exchange gain	(910)	(263)
Balance, end of period	67,480	68,390

- a) On May 16, 2019, the Company raised \$5,000 through the issue of a convertible debenture to a director of the Company, that matures upon the earlier of (i) five business days following the Company's initial public offering ("IPO") onto a Canadian stock exchange or next financing, (ii) June 1, 2020, (iii) at the election of the lenders in the event of default by the Company. The holder may at any time convert a portion of the remaining principal into common shares of the Company at \$0.10 per share. The equity component at the grant date was determined to be \$949 using the residual value method. The debt component was calculated using a discount rate of 20%. Separate from the conversion feature, the convertible debenture is subject to 10% annual interest rate, compounded semi-annually. During the three months ended March 31, 2022, the Company incurred an interest expense of \$157 related to this convertible debenture (2021 - \$142). On March 24, 2022, the Company and the holder agreed to amend the agreements to remove the conversion feature whereby the holder may at any time convert a portion of the remaining principal into common shares of the Company at \$0.10 per common share. Included in the amendment is that the debentures will be settled within five business days of the completion of the Arrangement Agreement.
- b) On June 1, 2019, the Company raised \$67,350 (US\$50,000) through the issue of a convertible debenture, that matures upon the earlier of (i) five business days following the Company's IPO onto a Canadian stock exchange or next financing, (ii) June 1, 2020, (iii) at the election of the lenders in the event of default by the Company. The holder may at any time convert a portion of the remaining principal into common shares of the Company at \$0.10 per common share. The fair value of the conversion feature liability at the grant date was estimated to be \$26,129 (US\$19,488) using the Black-Scholes option pricing model using the following assumptions: exercise price of \$0.10, volatility of 100%, discount rate of 1.48% and expected life of 1 year. The debt component was calculated using the residual value method. As at March 31, 2022, the fair value of the conversion feature liability is \$nil (December 31, 2021 - \$nil). On March 24, 2022, the Company and the holder agreed to amend the agreements to remove the conversion feature whereby the holder may at any time convert a portion of the remaining principal into common shares of the Company at \$0.10 per common share. Included in the amendment is that the debentures will be settled within five business days of the completion of the Arrangement Agreement.

Separate from the conversion feature liability, the convertible debenture is subject to 10% annual interest rate, compounded semi-annually. During the three months ended March 31, 2022, the Company incurred interest expense of \$1,993 (US\$1,574) related to this convertible debenture (2021 - \$1,808 (US\$1,427)). The interest payable is recognized within accounts payable and accrued liabilities (Note 7).

Quantus Resources Corp.

Notes to the Condensed Interim Financial Statements

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(Unaudited - Expressed in Canadian dollars, unless otherwise noted)

10. SHAREHOLDERS' EQUITY**Authorized**

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

Share capital

At March 31, 2022, there were 38,153,574 issued and fully paid common shares outstanding (December 31, 2021 - 38,153,574).

Share capital transactions

During the three months ended March 31, 2022, there were no share capital transactions.

During the year ended December 31, 2021, the Company completed the following transaction:

- On March 8, 2021, the Company issued 200,000 common shares at \$0.10 per common share via a subscription receipt offering for gross proceeds of \$20,000.

Share subscription payable

As at March 31, 2022, the Company received gross proceeds of \$1,426,300 (December 31, 2021 - \$1,356,300) in subscription receipts at \$0.25 per unit as part of the Company's financing. Each unit consists of one common share and one-half warrant. Each whole warrant is exercisable into one common share at \$0.40 per warrant and expires two years after the date of issuance. Related to the concurrent financing, the Company will incur \$21,000 in finder's fees and to issue 84,000 warrants to finders upon closing of the financing.

Subsequent to the period end, and concurrent with the closing of the Arrangement Agreement, the Company received additional gross proceeds of \$1,385,000 in subscription receipts relating to the unit financing. The Company incurred \$21,000 in share issuance cost related to the cash finder's fee.

Share purchase warrants

As at December 31, 2020 and 2021, and March 31, 2022, the Company had 298,699 warrants outstanding with a weighted average exercise price of \$0.10.

On September 18, 2020, the Company issued 298,699 special warrants ("Special Warrants") to settle \$29,870 in amounts owing to vendors. These Special Warrants will automatically convert into common shares of the Company upon the execution of the going public transaction on the effective date (Note 15).

11. RELATED PARTY TRANSACTIONS

Key management personnel comprise the Chief Executive Officer, Chief Financial Officer, and directors of the Company.

The remuneration of the key management personnel for the three months ended March 31, 2022 and 2021 are as follows:

	Three months ended March 31, 2022	Three months ended March 31, 2021
Interest expense (Note 8)	\$ 1,501	-
Management fees	4,500	4,500
Professional fees	7,688	7,688
	13,689	12,188

Included in accounts payable and accrued liabilities at March 31, 2022 is \$55,406 (December 31, 2021 - \$42,834) due to officers, directors, and companies controlled by directors of the Company. The amount due to the related parties has no specific terms of repayment and is unsecured and non-interest bearing.

As at March 31, 2022, \$94,976 (December 31, 2021 - \$96,068) in loans payable from directors and officers of the Company remain outstanding (Note 8).

Quantus Resources Corp.

Notes to the Condensed Interim Financial Statements

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(Unaudited - Expressed in Canadian dollars, unless otherwise noted)

12. CAPITAL MANAGEMENT

The Company defines capital that it manages as shareholders' equity. The Company manages its capital structure based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management to sustain future development of the business. The Company may invest its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns on unused capital. The Company does not pay dividends and is not subject to any externally imposed capital restrictions.

The property in which the Company currently has an interest is in the exploration stage. As such, the Company has historically relied on the equity capital markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it concludes there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Although the Company has previously been successful in financing its activities, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial assets and liabilities

The Company established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

- 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 (i.e.: as prices) or indirectly (i.e.: derived from prices); and
- Level 3: Inputs that are not based on observable market data.

Cash and restricted cash are carried at fair value using a level 1 fair value measurement. The fair values of receivables, accounts payable and accrued liabilities, and loans payable approximate their carrying values due to the short-term nature of the instruments.

The convertible debentures are categorized as level 2 and have been recorded at amortized cost. The carrying value approximates their carrying values due to their relatively short-term nature.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote because these instruments are due primarily from government agencies and cash is held with reputable financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities as they come due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements.

As at March 31, 2022, the Company had a cash balance of \$12,629 and restricted cash of \$1,426,180 to settle current liabilities of \$1,901,934. As at December 31, 2021, the Company had a cash balance of \$9,333 and restricted cash of \$1,356,180 to settle current liabilities of \$1,794,146.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

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(Unaudited - Expressed in Canadian dollars, unless otherwise noted)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Foreign currency risk

Foreign currency risk is the risk that the value of the Company's financial instruments denominated in foreign currencies will fluctuate due to changes in foreign exchange rates. Changes in the exchange rate between foreign currencies and the Canadian Dollar could have a significant impact on the Company's financial position, results of operations, and cash flows. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company is mainly exposed to foreign currency risk on financial instruments (consisting of cash, trade payables, convertible debentures, and loans payable) denominated in US dollars. The table below summarizes the net monetary assets and liabilities held in foreign currencies, expressed in Canadian dollars:

As at March 31, 2022, the Company had US dollar net liabilities of \$167,435 (December 31, 2021 - \$163,075). A 5% change in the US dollar against the Canadian dollar at March 31, 2022 would result in a \$8,372 impact to the Company.

(b) Price risk

The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of the Company's mineral properties. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. A change of 100 basis points in the interest rates would not be material to the interim financial statements.

14. COMMITMENTS

The Company has entered into a consulting agreement with a director and officer, whereby if the Company experiences a change in control, the director and officer are due the amount which is three to twelve times the consultant's monthly fees.

15. ARRANGEMENT AGREEMENT

On September 22, 2020, the Company proposed an arrangement with KCI dated May 4, 2020 (the "Arrangement Agreement"), in which KCI would acquire all of the Company's issued and outstanding shares on a one-to-one ratio. The terms and considerations of the Arrangement Agreement are the following:

- The payment by the Company of 750,000 common shares to the beneficial owners of the Blackhawk Property option constituting the final payment (Note 6);
- Financing by the Company or KCI of up to \$2,800,000;
- Exchanges of convertible securities of the Company for convertible securities of KCI in equivalent terms;
- The Company had previously in 2020 converted \$ \$29,870 into Special Warrants at \$0.10 debt/special warrant, whereby the Special Warrants would be exercised for no further consideration; and
- The Company carrying out working capital financing, subject to receipt of written approval of KCI.

During the year ended December 31, 2021, the Arrangement Agreement was amended with the transaction date to occur on or before February 28, 2022. On February 28, 2022, the Company amended the Arrangement Agreement with KCI to extend the transaction date from February 28, 2022 to April 30, 2022. Additional transaction date amendments were entered into subsequent to year end (see Note 16).

During the year ended December 31, 2021, the Company entered into a marketing services agreement in which the Company would issue 500,000 common shares and payment of US\$10,000 per city for services rendered by the vendor. The consideration is payable upon the completion of the Arrangement Agreement.

As at March 31, 2022, the Company had \$162,550 (December 31, 2021 - \$146,232) in deferred transaction costs, that will be expensed upon closing of the Arrangement Agreement.

Quantus Resources Corp.

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars, unless otherwise noted)

16. SUBSEQUENT EVENTS

On April 8, 2022, the Company amended a marketing agreement (Note 15) in which the previous consideration will be removed and replaced with a fixed payment of \$50,000 and an additional payment of US\$120,000 for marketing services in multiple cities.

On April 11, 2022, the Company received a \$10,000 short-term loan from a director of the Company. The loan bears interest rate of 6% per annum and is due on demand.

On April 25, 2022 and May 11, 2022, the Company entered into amending agreements to the Arrangement Agreement with KCI to extend the transaction date from April 30, 2022 to May 16, 2022, and May 23, 2022, respectively.

On April 26, 2022, and May 11, 2022, the Company entered into amending agreements with Blackhawk Rising to extend the date to issue the 750,000 share options from April 30, 2022 to May 16, 2022, and May 23, 2022, respectively.

On May 19, 2022, Quantus completed the Arrangement Agreement, pursuant to TSX Venture Exchange Policy 2.4 - *Capital Pool Companies*, whereby KCI acquires 100% of the Company's outstanding common shares by issuing to each shareholder of Quantus one common share of KCI for one common share of Quantus.

Prior to closing of the amended Arrangement Agreement, KCI had 5,113,271 common shares outstanding, and Quantus had 50,447,473 common shares outstanding including 750,000 common shares issued just prior to closing to BlackCali, 298,699 common shares issued just prior to closing related to the Special Warrants, and 11,245,200 common shares issued just prior to closing related to the concurrent unit financing. Quantus issued 5,622,600 share purchase warrants and 84,000 finder's warrants just prior to closing related to the concurrent unit financing. As a result of the amended Arrangement Agreement, KCI issued 50,447,473 common shares to Quantus' shareholders, where KCI has 55,560,744 common shares outstanding, of which 5,613,187 common shares were held in escrow, 5,622,600 share purchase warrants, 84,000 finder's warrants, and 2,700,000 incentive stock options.

Concurrent with the closing of the Arrangement Agreement, the name of Kapa Capital Inc. was changed to "Kapa Gold Inc.".