

**November 10, 2023**

**Notice to Reader**

The unaudited condensed interim consolidated financial statements of Kapa Gold Inc. (the "Company") for the three and nine months ended September 30, 2022 and 2021 ("Q3 2022 Financial Statements") have been amended and refiled in order to correct for certain disclosure deficiencies.

Details of the changes are fully described in Note 13 to these amended unaudited condensed interim financial statements for the three and nine months ended September 30, 2022 and 2021 ("amended financial statements") as filed on SEDAR+ on November 10, 2023.

The Q3 2022 Financial Statements were originally approved by the Board of Director and authorized for issue on November 22, 2022. These amended financial statements replace and supersede the previously filed Q3 2022 Financial Statements. Such previously filed Q3 2022 Financial Statements should be disregarded.

**Kapa Gold Inc. (formerly Kapa Capital Inc.)**

For the three and nine months ended September 30, 2022 and 2021

(Unaudited - Expressed in Canadian dollars)

**Amended Condensed Interim Consolidated Financial Statements**

**Notice of Disclosure of Non-auditor Review of the Amended Condensed Interim Consolidated Financial Statements for the Three and Nine Months Ended September 30, 2022 and 2021**

Pursuant to National Instrument 51-102 *Continuous Disclosure Obligations*, part 4, subsection 4.3(3)(a) 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 interim financial statements have not been reviewed by an auditor.

The accompanying unaudited amended condensed interim consolidated financial statements of Kapa Gold Inc. for the interim periods ended September 30, 2022 and 2021, have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board, and are the responsibility of management.

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

November 10, 2023

**Kapa Gold Inc. (formerly Kapa Capital Inc.)**  
**Condensed Interim Consolidated Statements of Financial Position**  
As at September 30, 2022 and December 31, 2021  
(Unaudited - Expressed in Canadian dollars, except number of shares)

**Amended and Restated**

|   | Note  | September 30,<br>2022 | December 31,<br>2021 |
|---|-------|-----------------------|----------------------|
|   |       | \$                    | \$                   |
| <b>ASSETS</b>                                     |       |                       |                      |
| <b>Current</b>                                    |       |                       |                      |
| Cash  |       | 1,765,485             | 9,333                |
| Restricted cash                                   |       | -                     | 1,356,180            |
| GST receivable                                    |       | 42,997                | 30,562               |
| Deferred transaction costs                        | 4     | -                     | 146,232              |
| Prepaid expenses                                  |       | 16,920                | 2,632                |
|   |       | <b>1,825,402</b>      | 1,544,939            |
| Exploration and evaluation assets                 | 5     | 1,738,071             | 1,393,949            |
| Property and equipment                            | 6, 11 | 14,258                | -                    |
| <b>Total assets</b>                               |       | <b>3,577,731</b>      | 2,938,888            |
| <b>LIABILITIES</b>                                |       |                       |                      |
| <b>Current</b>                                    |       |                       |                      |
| Accounts payable and accrued liabilities          | 7, 11 | 170,033               | 273,388              |
| Loans payable                                     | 8     | -                     | 96,068               |
| Convertible debentures                            | 9     | -                     | 68,390               |
| Share subscription payable                        | 10    | -                     | 1,356,300            |
| <b>Total liabilities</b>                          |       | <b>170,033</b>        | 1,794,146            |
| <b>SHAREHOLDERS' EQUITY</b>                       |       |                       |                      |
| Share capital                                     | 10    | 11,041,518            | 6,712,012            |
| Equity component of convertible debentures        | 10    | -                     | 949                  |
| Reserves  | 10    | 475,088               | 29,870               |
| Deficit   |       | (8,108,908)           | (5,598,089)          |
| Total shareholders' equity                        |       | 3,407,698             | 1,144,742            |
| <b>Total liabilities and shareholders' equity</b> |       | <b>3,577,731</b>      | 2,938,888            |

Nature of operations and going concern (Note 1)

Restatement of the previously reported unaudited condensed interim consolidated financial statements (Note 13)

Subsequent events (Note 15)

Approved and authorized for issue on behalf of the Board of Directors:

*/s/ "David Paxton"*

Director

*/s/ "Alex Tsakumis"*

Director

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

**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

For the three and nine months ended September 30, 2022 and 2021

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

|   | Note   | Three months ended<br>September 30,<br>2022 | September 30,<br>2021 | Nine months ended<br>September 30,<br>2022 | September 30,<br>2021 |
|---|--------|---|-----------------------|--|-----------------------|
|   |        | \$  | \$                    | \$   | \$                    |
| <b>Operating expenses</b>                                   |        |   |                       |  |                       |
| Consulting fees   |        | 15,079                                      | 10,000                | 20,079                                     | 10,000                |
| Depreciation expense  | 6      | 242   | -                     | 242  | -                     |
| Interest expense  | 8, 9   | -   | 3,052                 | 5,650                                      | 6,954                 |
| Insurance expense   |        | 4,354                                       | -                     | 4,354                                      | -                     |
| Investor relations  |        | 12,000                                      | -                     | 220,075                                    | -                     |
| Management fees   | 11     | 30,000                                      | 4,500                 | 47,500                                     | 13,500                |
| Office expense  |        | 28,222                                      | 1,691                 | 58,586                                     | 2,338                 |
| Professional fees   | 11     | 58,087                                      | 53,178                | 143,858                                    | 71,782                |
| Share-based compensation                                    | 10, 11 | -   | -                     | 414,751                                    | -                     |
| <b>Total operating expenses</b>                             |        | <b>147,984</b>                              | <b>72,421</b>         | <b>915,095</b>                             | <b>104,574</b>        |
| <b>Other expenses</b>                                       |        |   |                       |  |                       |
| Foreign exchange loss                                       |        | 468   | 3,301                 | 3,186                                      | 2,313                 |
| Listing expense   | 4      | -   | -                     | 1,592,538                                  | -                     |
| <b>Net loss and comprehensive loss</b>                      |        | <b>148,452</b>                              | <b>75,722</b>         | <b>2,510,819</b>                           | <b>106,887</b>        |
| <b>Weighted average number of common shares outstanding</b> |        |   |                       |  |                       |
| Basic and diluted   |        | 55,732,483                                  | 38,153,574            | 46,755,628                                 | 38,153,574            |
| <b>Loss per share</b>                                       |        |   |                       |  |                       |
| Basic and diluted   |        | (0.00)                                      | (0.00)                | (0.05)                                     | (0.00)                |

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

**Kapa Gold Inc. (formerly Kapa Capital Inc.)**  
**Condensed Interim Consolidated Statements of Cash Flow**  
For the nine months ended September 30, 2022 and 2021  
(Unaudited - Expressed in Canadian dollars)

**Amended and Restated**

|  | Nine months ended<br>September 30, |                  |
|--|------------------------------------|------------------|
|  | 2022                               | 2021             |
|  | \$                                 | \$               |
| <b>Operating activities</b>                      |                                    |                  |
| Net loss and comprehensive loss                  | (2,510,819)                        | (106,887)        |
| Adjustments for non-cash items:                  |                                    |                  |
| Depreciation expense                             | 242                                | -                |
| Interest expense                                 | -                                  | 6,954            |
| Share-based compensation                         | 414,751                            | -                |
| Unrealized foreign exchange loss (gain)          | 1,402                              | (1,259)          |
| Listing expense                                  | 1,592,538                          | -                |
| Changes in non-cash working capital items:       |                                    |                  |
| GST receivables                                  | (8,328)                            | (1,703)          |
| Deferred transaction costs                       | -                                  | (17,894)         |
| Prepaid expenses                                 | (14,288)                           | (2,201)          |
| Accounts payable and accrued liabilities         | (173,985)                          | (17,038)         |
| <b>Net cash used in operating activities</b>     | <b>(698,487)</b>                   | <b>(140,028)</b> |
| <b>Investing activities</b>                      |                                    |                  |
| Blackhawk Property expenditures                  | (151,785)                          | (72,579)         |
| Cash acquired from Transaction, net of costs     | (9,271)                            | -                |
| <b>Net cash used in investing activities</b>     | <b>(161,056)</b>                   | <b>(72,579)</b>  |
| <b>Financing activities</b>                      |                                    |                  |
| Proceeds from issuance of units                  | 1,455,000                          | -                |
| Issuance costs                                   | (21,000)                           | -                |
| Proceeds from options exercised                  | 20,000                             | -                |
| Loans payable                                    | 10,000                             | 76,452           |
| Repayment of debt                                | (176,456)                          | -                |
| Payment of interest payable                      | (28,029)                           | -                |
| <b>Net cash provided by financing activities</b> | <b>1,259,515</b>                   | <b>76,452</b>    |
| Net increase (decrease) in cash                  | 399,972                            | (136,155)        |
| Cash and restricted cash, beginning of period    | 1,365,513                          | 146,807          |
| <b>Cash and restricted cash, end of period</b>   | <b>1,765,485</b>                   | <b>10,652</b>    |

**Supplemental disclosures with respect to cash flows:**

During the nine months ended September 30, 2022, the Company:

- Paid \$5,650 in interest expense and \$22,379 in accrued interest related to loans payable and convertible debentures (Note 7, 8, 9).
- Paid \$63,321 in cash for transaction costs related to listing expense (Note 4).
- Included in accounts payable and accrued liabilities \$4,837 for Blackhawk Property expenditures (Note 5) and \$14,500 for purchase of property and equipment (Note 6).

During the nine months ended September 30, 2021, the Company:

- Issued 200,000 shares for gross proceeds of \$20,000 related to a share subscription deposit outstanding as at December 31, 2020.
- Included in accounts payable and accrued liabilities \$13,977 for Blackhawk Property expenditures.

There was no cash paid for taxes during the nine months ended September 30, 2022 and 2021.

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

**Kapa Gold Inc. (formerly Kapa Capital Inc.)**
**Amended and Restated**
**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**

For the three and nine months ended September 30, 2022 and 2021

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

|   | Common<br>shares  | Share capital     | Share<br>subscription<br>deposit | Equity<br>component<br>of convertible<br>debentures | Reserves       | Deficit            | Total<br>shareholders'<br>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                     | -                 | -                 | -                                | -   | -              | (106,887)          | (106,887)                        |
| Balance, September 30, 2021                         | 38,153,574        | 6,712,012         | -                                | 949   | 29,870         | (5,581,121)        | 1,161,710                        |
| Net loss and comprehensive loss                     | -                 | -                 | -                                | -   | -              | (16,968)           | (16,968)                         |
| Balance, December 31, 2021                          | 38,153,574        | 6,712,012         | -                                | 949   | 29,870         | (5,598,089)        | 1,144,742                        |
| Units issued in private placement                   | 11,245,200        | 2,811,300         | -                                | -   | -              | -                  | 2,811,300                        |
| Issuance of agent warrants                          | -                 | (9,645)           | -                                | -   | 9,645          | -                  | -                                |
| Issuance costs in private placement                 | -                 | (21,000)          | -                                | -   | -              | -                  | (21,000)                         |
| Special warrants exercised                          | 298,699           | 29,870            | -                                | -   | (29,870)       | -                  | -                                |
| Options exercised                                   | 200,000           | 53,163            | -                                | -   | (33,163)       | -                  | 20,000                           |
| Reclassification of the conversion feature          | -                 | -                 | -                                | (949)   | 949            | -                  | -                                |
| Shares issued for the Transaction                   | 5,113,271         | 1,278,318         | -                                | -   | -              | -                  | 1,278,318                        |
| Options acquired from the Transaction               | -                 | -                 | -                                | -   | 82,906         | -                  | 82,906                           |
| Shares issued for exploration and evaluation assets | 750,000           | 187,500           | -                                | -   | -              | -                  | 187,500                          |
| Share-based compensation                            | -                 | -                 | -                                | -   | 414,751        | -                  | 414,751                          |
| Net loss and comprehensive loss                     | -                 | -                 | -                                | -   | -              | (2,510,819)        | (2,510,819)                      |
| <b>Balance, September 30, 2022</b>                  | <b>55,760,744</b> | <b>11,041,518</b> | <b>-</b>                         | <b>-</b>  | <b>475,088</b> | <b>(8,108,908)</b> | <b>3,407,698</b>                 |

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

## **1. NATURE OF OPERATIONS AND GOING CONCERN**

Kapa Gold Inc. (the “Company” or “Kapa”) (formerly Kapa Capital Inc.) was incorporated under the laws of British Columbia, Canada on January 29, 2018. On May 19, 2022, the Company formerly approved a name change from Kapa Capital Inc. to Kapa Gold Inc. The Company’s head office and principal address is Suite 1400 - 1199 West Hastings Street, Vancouver, BC, V6E 3T5. The Company is listed on the TSX Venture Exchange (“Exchange”) under the symbol “KAPA.V”.

### **Reverse takeover**

On September 22, 2020, Kapa Capital Inc. (“KCI”) entered into binding acquisition and arrangement agreements (collectively, the “Transaction”) with Quantus Resources Corp. (“Quantus”), whereby KCI would acquire all of Quantus’ issued and outstanding common shares via a one-to-one share exchange. Quantus is a mineral exploration company whose principal business activity is in the acquisition and exploration of mineral property interests in the United States. Quantus was incorporated on June 16, 2010, under the laws of British Columbia, Canada.

On May 19, 2022, KCI completed the Transaction with Quantus pursuant to which KCI acquired all of the outstanding shares of Quantus by way of issuing one common share of Kapa Capital Inc for each common share of Quantus held by the existing Quantus shareholders (the “Quantus Shareholders”). The Quantus Shareholders became shareholders of the combined entity, concurrently, and in conjunction with the Transaction, renamed Kapa Gold Inc. Upon completion of the Transaction, Kapa Gold Inc. continues to carry on the business of Quantus. The Transaction is an arm’s length transaction and constitutes a reverse takeover (“RTO”) of KCI by Quantus, pursuant to policies of the Exchange.

Prior to the closing of the Transaction, KCI had 5,113,271 common shares outstanding, and Quantus had 50,447,473 common shares outstanding. As a result of the Transaction, KCI issued 50,447,473 common shares to Quantus Shareholders, and the combined entity subsequently had 55,560,744 common shares outstanding, of which 5,613,187 common shares were held in escrow. After the Transaction, the Company also had following securities outstanding: 5,622,600 share purchase warrants, 84,000 agent warrants, and 2,700,000 incentive stock options.

Management determined that the Transaction constituted a reverse acquisition for accounting purposes, whereby Quantus acquired KCI. In these amended condensed interim consolidated financial statements, Quantus is treated as the accounting acquirer (legal subsidiary), and KCI is treated as the accounting acquiree (legal parent). As Quantus was deemed to be the acquirer for accounting purposes, these condensed interim consolidated financial statements are presented as the continuation of the financial statements of Quantus. The comparative figures are those of Quantus prior to the RTO (Note 4).

### **Going concern**

These amended unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2022 and 2021 (the “amended financial statements”) have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

As at September 30, 2022, the Company had a working capital surplus of \$1,655,369 (December 31, 2021 - working capital deficit of \$249,207), had not yet achieved profitable operations, and had an accumulated deficit of \$8,108,908 (December 31, 2021 - \$5,598,089). The Company continues to be dependent upon its ability to finance its operations and exploration programs through financing activities that may include issuance 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 favorable terms in the future. An inability to raise additional financing may impact the future assessment of the Company as a going concern. These amended 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 amended 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 amended financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board 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 amended financial statements do not include all disclosures required for annual audited financial statements. Accordingly, they should be read in conjunction with the Company’s annual audited financial statements and the notes thereto for the years ended December 31, 2021 and 2020, which include the information necessary or useful to understanding the Company’s business and financial statement presentation.

These amended financial statements were approved by the Board of Directors and authorized for issue on November 10, 2023.

### **Basis of measurement**

These amended financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities which are measured at fair value. In addition, these amended financial statements have been prepared using the accrual basis of accounting except for cash flow information.

### **Basis of consolidation**

These amended financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances are eliminated on consolidation. Control exists where the parent entity has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

| <b>Name of subsidiary</b>  | <b>Country of incorporation</b> | <b>Percentage ownership</b> | <b>Functional currency</b> | <b>Principal activity</b>                  |
|----------------------------|---------------------------------|-----------------------------|----------------------------|--|
| Quantus Resources Corp.    | Canada                          | 100%                        | Canadian dollar            | Holding company and head office operations |
| Kapa Gold Inc.             | Canada                          | 100%                        | Canadian dollar            | Holding company                            |
| Kapa Gold Limited USA Inc. | United States                   | 100%                        | Canadian dollar            | Mineral exploration                        |

### **Functional and presentation currency**

The amended financial statements are presented in Canadian dollars (“\$”) which is the functional currency of the Company and its subsidiaries. References to “US\$” are to United States dollars.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

### **Cash**

Cash includes cash on hand, deposits held on call with banks, and other short-term highly liquid investments with original maturities of three months or less.

### **Restricted cash**

Restricted cash consists of a subscription deposit held in a trust account.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments

IFRS 9 *Financial instruments* establishes three primary measurement categories for financial assets: fair value through profit and loss (“FVTPL”), fair value through other comprehensive income (“FVOCI”) and amortized cost. The basis for classification depends on the entity’s business model and the contractual cash flow characteristics of the instrument.

#### Classification

The Company determines the classification of its financial instruments at initial recognition. Upon initial recognition, a financial asset is classified as measured at: amortized cost, FVTPL, or FVOCI. The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial liability is classified as measured at amortized cost or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

An equity investment that is held for trading is measured at FVTPL. For other equity investments that are not held for trading, the Company may irrevocably elect to designate them as FVOCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has elected to measure them at FVTPL.

The Company classifies its financial instruments as follows:

| <b>Asset or Liability</b>                | <b>IFRS 9 classification</b> |
|--|------------------------------|
| Cash                                     | Amortized cost               |
| Restricted cash                          | Amortized cost               |
| Accounts payable and accrued liabilities | Amortized cost               |
| Loans payable                            | Amortized cost               |
| Convertible debentures                   | Amortized cost               |

#### Measurement

##### *Initial measurement*

On initial recognition, all financial assets and financial liabilities are measured at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as FVTPL, in which case the transaction costs are expensed as incurred.

### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### *Subsequent measurement*

The following accounting policies apply to the subsequent measurement of financial instruments:

#### *Financial assets at FVTPL*

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

#### *Financial assets at amortized cost*

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

#### *Financial assets at FVOCI*

These assets are subsequently measured at fair value. Interest income is calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

#### *Equity investments at FVOCI*

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income ("OCI") and are never reclassified to profit or loss.

#### *Impairment of financial instruments*

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

#### **Exploration and evaluation assets**

Pre-exploration costs are expensed as incurred. Costs related to the acquisition and exploration of mineral properties are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets after an impairment test and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the mineral property. If payments received exceed the capitalized cost of the mineral property, the excess is recognized as income in the period received. The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

#### **Deferred transaction costs**

Deferred transaction costs refer to the contractual advances paid to third parties for legal and professional fees to complete the Transaction. Prior to the RTO, these costs had been capitalized and appeared on the consolidated statement of financial position. When the Transaction was closed, they were expensed and included as part of the listing expense.

### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Impairment**

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

#### **Provision for environmental rehabilitation**

The Company recognizes liabilities for statutory, contractual, constructive, or legal obligations associated with the retirement of mineral properties and equipment, when those obligations result from the acquisition, construction, development, or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as the related assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period. The Company had no provisions for environmental rehabilitation as at September 30, 2022 and December 31, 2021.

#### **Convertible debentures**

Convertible debentures are separated into debt and equity components based on the fair value of each component at the date of issue. The value of the debt component is calculated at the estimated fair value of the future interest and principal payments due under the terms of the convertible debentures, with the residual value assigned to the equity component.

Transaction costs directly related to the debt component reduce the carrying value of the convertible debentures. Transaction costs related to the equity component of convertible debentures are recognized in the value of the equity component, net of deferred income tax. After initial recognition, the liability component of convertible debentures is measured at amortized cost using the effective interest rate method and is accreted up to its face value. The equity component is not re-measured after initial recognition. For convertible debentures in which the conversion feature is determined to be an embedded derivative liability, the embedded derivative liability is valued first, with the residual value assigned to the debt component of the instrument at inception.

Transaction costs allocated to the embedded derivative component are recognized in profit or loss. An embedded derivative liability is recognized at fair value with changes in fair value recognized in profit or loss.

### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Foreign currencies**

*i. Functional and presentation currency*

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries was determined by conducting an analysis of the factors identified in International Accounting Standard 21 *The effects of changes in foreign exchange rates*.

*ii. Translation of foreign transactions and balances into the functional currency*

Foreign currency transactions are translated into the functional currency of the Company at rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, all monetary assets and liabilities that are denominated in foreign currencies are translated to the functional currency of the Company at the rates prevailing at the date of the statement of financial position. Non-monetary assets and liabilities are translated at historic rates. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss.

#### **Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

#### **Share capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

#### **Warrants**

Warrants are classified as a component of equity. Warrants are initially recorded as part of reserves in equity at their fair value. The fair value of the warrants is determined using the Black-Scholes options pricing model. Upon exercise of the warrants, the previously recognized fair value of the warrants exercised is reallocated to share capital from reserves. The proceeds generated from the payment of the exercise price are also allocated to share capital.

The Company has adopted a residual value method with respect to the measurement of warrants attached to private placement units. The residual value method first allocates value to the more easily measurable component based on the fair value and then the residual value, if any, to the less easily measurable component.

#### **Loss per share**

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Share-based compensation**

The Company adopted a stock option plan and granted options to purchase common shares to the Company's directors, officers, employees, and consultants as consideration for provided services. The Company accounts for these transactions as equity-settled share-based compensation in accordance with IFRS 2 *Share-based payment*. The Company recognizes goods or services received or acquired in a share-based compensation transaction when goods are obtained, or services are received. Goods or services received are recognized as expenses unless they're qualified for recognition as assets. The corresponding entry in the accounting records is the increase in equity. For services received, if the granted options vest immediately, it is presumed that the services have already been received and the full expense is recognized on the grant date. If, however, there are vesting conditions attached to the options granted, the expense is spread over the vesting period.

The amount of share-based compensation expense is deemed to be the fair value of goods or services received. In situation when value of goods or services cannot be reliably measured, the amount of share-based compensation is determined by using the fair value on grant date of the options granted. The fair value of the options is measured using Black-Scholes option pricing model that requires market-based inputs including stock price, risk-free interest rate, and expected stock return volatility. Changes in these inputs can materially affect the fair value estimate.

#### **Income taxes**

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss and differences relating to investments in subsidiaries to the extent that it is not probable they will reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

The Company had no deferred tax assets or liabilities as at September 30, 2022 and December 31, 2021.

#### **Critical accounting estimates**

The preparation of these amended 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.

### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

- iv) The impairment of exploration and evaluation assets is influenced by judgment in defining a cash-generating unit and determining the indicators of impairment and estimates used to measure impairment losses. The Company is required to measure the recoverable amount of exploration and evaluation assets when there are indicators that their carrying value may be impaired. The assessment of any impairment of exploration and evaluation assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and useful lives of the assets.

### **4. REVERSE TAKEOVER**

As a result of the Transaction, Quantus obtained control of the Company and is considered to have acquired the Company. The Transaction constituted an RTO acquisition of the Company by Quantus and has been accounted for as a reverse acquisition transaction in accordance with the guidance provided in IFRS 2 *Share-based Payment*, and IFRS 3 *Business Combinations*. The Company did not qualify as a business according to the definition in IFRS 3 *Business Combinations* as the significant inputs, processes, and outputs, that together constitute a business, did not exist in KCI at the time of acquisition. Rather, it is treated as an issuance of common shares by Quantus for the net assets of the Company and its public listing. Accordingly, no goodwill or intangible assets were recorded with respect to the Transaction.

For accounting purposes, Quantus is treated as the accounting parent (legal subsidiary) and the Company as the accounting subsidiary (legal parent). The fair value of the consideration paid by Quantus, less the fair value of net assets of the Company acquired by Quantus constitutes the listing expense and has been recorded in the statements of loss and comprehensive loss. These amended financial statements reflect the assets, liabilities, and operations of Quantus since its incorporation and the Company from May 19, 2022.

As at December 31, 2021, the Company had incurred \$146,232 in deferred transaction costs, which were capitalized until the completion of the RTO, at which time they were reclassified to listing expense. During the nine months ended September 30, 2022, the Company incurred \$63,321 in transaction costs.

**Notes to the Condensed Interim Consolidated Financial Statements**

For the three and nine months ended September 30, 2022 and 2021

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

**4. REVERSE TAKEOVER (Continued)**

|   | <b>May 19, 2022</b> |
|---|---------------------|
|   | <b>\$</b>           |
| <b>Consideration:</b>   |                     |
| Fair value of common shares issued to former Kapa Capital Inc. shareholders<br>(5,113,271 shares at \$0.25 per share) | 1,278,318           |
| Fair value of stock options acquired  | 82,906              |
| Transaction costs   | 209,553             |
| <b>Total consideration</b>  | <b>1,570,777</b>    |
| <b>Net assets (liabilities) acquired:</b>   |                     |
| Cash  | 54,050              |
| GST receivables   | 4,107               |
| Accounts payable and accrued liabilities  | (79,918)            |
| <b>Total net liabilities acquired</b>   | <b>(21,761)</b>     |
| <b>Listing expense</b>  | <b>1,592,538</b>    |

**5. EXPLORATION AND EVALUATION ASSETS**

|                                    | <b>Blackhawk Property</b> |
|------------------------------------|---------------------------|
|                                    | <b>\$</b>                 |
| <b>Balance, December 31, 2020</b>  | <b>1,297,776</b>          |
| 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                     |
| <b>Balance, December 31, 2021</b>  | <b>1,393,949</b>          |
| Option payments                    | 187,500                   |
| Exploration expenditures:          |                           |
| Legal and insurance                | 15,262                    |
| Mapping and reports                | 66,917                    |
| Mining claims                      | 48,305                    |
| Property maintenance costs         | 5,626                     |
| Road rehabilitation                | 20,512                    |
| <b>Balance, September 30, 2022</b> | <b>1,738,071</b>          |

**Blackhawk Property**

On November 6, 2017, 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.

## **5. EXPLORATION AND EVALUATION ASSETS (Continued)**

The Company obtained this option to acquire a 100% interest in the Blackhawk Property from Blackcali Ventures Ltd ("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. The payments made to the vendor of the Blackhawk Property were:

- \$304,357 (US\$185,000) paid during the year ended December 31, 2017;
- \$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 as the final cash option payment.

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 a Statutory Plan of Arrangement.

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 September 30, 2021). On December 15, 2021, the Company entered into an amendment agreement to further 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 further extend the date to issue the 750,000 share options from February 28, 2022 to April 30, 2022. On May 19, 2022, on the execution of the Transaction, the Company issued 750,000 common shares at \$0.25 per share to Blackcali for a fair value of \$187,500.

During the three and nine months ended September 30, 2022, the Company incurred \$115,734 and \$156,622, respectively (2021 - \$54,380 and \$86,556, respectively), 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.

**6. PROPERTY AND EQUIPMENT**

During the nine months ended September 30, 2022, the Company purchased vehicles that are presented under property and equipment.

|                                     | <b>Vehicles</b> |
|-------------------------------------|-----------------|
|                                     | \$              |
| <b>Cost</b>                         |                 |
| Balance, December 31, 2021 and 2020 | -               |
| Additions                           | 14,500          |
| <b>Balance, September 30, 2022</b>  | <b>14,500</b>   |
| <b>Accumulated depreciation</b>     |                 |
| Balance, December 31, 2021 and 2020 | -               |
| Depreciation                        | 242             |
| <b>Balance, September 30, 2022</b>  | <b>242</b>      |
| <b>Carrying amount</b>              |                 |
| Balance, December 31, 2021          | -               |
| <b>Balance, September 30, 2022</b>  | <b>14,258</b>   |

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

As at September 30, 2022 and December 31, 2021, accounts payable and accrued liabilities consist of the following:

|                                  | <b>September 30,<br/>2022</b> | December 31,<br>2021 |
|----------------------------------|-------------------------------|----------------------|
|                                  | \$                            | \$                   |
| Trade payables                   | <b>135,010</b>                | 160,184              |
| Due to related parties (Note 11) | <b>32,801</b>                 | 42,834               |
| Interest payable (Note 8, 9)     | -                             | 22,379               |
| Accrued liabilities              | <b>2,222</b>                  | 47,991               |
|                                  | <b>170,033</b>                | 273,388              |

**8. LOANS PAYABLE**

|                                    | <b>Loans payable</b> |
|------------------------------------|----------------------|
|                                    | \$                   |
| Balance, December 31, 2020         | -                    |
| Additions                          | 96,452               |
| Foreign exchange gain              | (384)                |
| Balance, December 31, 2021         | 96,068               |
| Additions                          | 10,000               |
| Repayment                          | (106,782)            |
| Foreign exchange loss              | 714                  |
| <b>Balance, September 30, 2022</b> | <b>-</b>             |

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 and nine months ended September 30, 2022, the Company incurred an interest expense of \$nil (US\$nil) and \$1,739 (US\$1,371), respectively (2021 - \$969 (US\$750) and \$969 (US\$750), respectively), relating to the loans payable. On May 26, 2022, the Company had repaid the outstanding loan principal and interest payable.

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 and nine months ended September 30, 2022, the Company incurred an interest expense of \$nil and \$457, respectively (2021 - \$nil and \$nil, respectively), relating to the loans payable. On May 26, 2022, the Company had repaid the outstanding loan principal and interest payable.

**8. LOANS PAYABLE (Continued)**

On April 11, 2022, the Company received a loan from a director of the Company for a total of \$10,000. The loan bears interest at a rate of 6% per annum and is payable on demand. During the three and nine months ended September 30, 2022, the Company incurred an interest expense of \$nil and \$62, respectively (2021 - \$nil and \$nil, respectively), relating to the loans payable. On May 26, 2022, the Company had repaid the outstanding loan principal and interest payable.

**9. CONVERTIBLE DEBENTURES**

|                                    | <b>Convertible debentures</b> |
|------------------------------------|-------------------------------|
|                                    | \$                            |
| Balance, December 31, 2020         | 68,653                        |
| Foreign exchange gain              | (263)                         |
| Balance, December 31, 2021         | 68,390                        |
| Repayment                          | (69,674)                      |
| Foreign exchange loss              | 1,284                         |
| <b>Balance, September 30, 2022</b> | <b>-</b>                      |

- 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. 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 Transaction. During the three and nine months ended September 30, 2022, the Company incurred an interest expense of \$nil and \$310, respectively, related to this convertible debenture (2021 - \$153 and \$446, respectively). On June 24, 2022, the Company repaid the convertible debt principal and interest payable. Upon the repayment of convertible debenture, \$949 was reclassified from equity component of convertible debentures to reserves within equity.
- 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 Company did not recognize the derivative liability from conversion feature due to the short term of the loan and the derivative liability was deemed immaterial. The value of convertible debenture at inception was calculated using discount rate of 20%. Separate from the conversion feature liability, the convertible debenture is subject to 10% annual interest rate, compounded semi-annually. 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 Transaction. During the three and nine months ended September 30, 2022, the Company incurred interest expense of \$nil (US\$nil) and \$3,082 (US\$2,431), respectively, related to this convertible debenture (2021 - \$1,930 (US\$1,532) and \$5,539 (US\$4,426), respectively). On May 20, 2022, the Company repaid the convertible debt principal and interest payable.

**10. SHAREHOLDERS' EQUITY**

**Authorized**

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

**Share capital**

As at September 30, 2022, there were 55,760,744 issued and fully paid common shares outstanding (December 31, 2021 - 38,153,574).

## **10. SHAREHOLDERS' EQUITY (Continued)**

### **Share capital transactions**

During the nine months ended September 30, 2022, the Company completed the following transactions:

- On May 19, 2022, pursuant to the closing of the Transaction, the Company issued 5,113,271 common shares of the Company to the shareholders of KCI at the fair value of \$0.25 per share for the fair value of \$1,278,318.
- On May 19, 2022, prior to the closing of the Transaction, the Company issued 298,699 common shares of the Company in relation to the special warrants exercised for no further consideration, resulting in \$29,870 reclassified from reserve to share capital.
- On May 19, 2022, the Company issued 750,000 common shares of the Company to Blackcali at the fair value of \$0.25 per share for consideration of \$187,500 related to the option agreement (Note 5).
- On May 19, 2022, concurrent with the closing of the Transaction, the Company issued 11,245,200 private placement units at \$0.25 per unit for gross proceeds of \$2,811,300. Each unit is comprised of one common share and one-half warrant. Each whole warrant is exercisable into one common share of the Company until May 19, 2024, with an exercise price of \$0.40 per warrant. On initial recognition, the warrants had a fair value of \$nil, and as a result, the entire proceeds were allocated to share capital.
- In connection with the private placement, the Company incurred \$30,645 in issuance costs, of which \$21,000 was in cash, and \$9,645 was the fair value of the 84,000 agent warrants issued.
- On July 6, 2022, in connection with the options granted to former directors of KCI and acquired in the RTO, 200,000 stock options were exercised at exercise price of \$0.10 for gross proceeds of \$20,000 resulting in the issuance of 200,000 common shares. Upon exercise, the \$33,163 fair value attributed to the options exercised was transferred from reserves to share capital.

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

- 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.
- As at December 31, 2021, the Company had received \$1,356,300 related to an ongoing private placement of units, which had not closed by year end and was accordingly recognized as share subscription payable. On May 19, 2022, concurrent with the closing of the Transaction, the Company issued the full number of units.

### **Escrow shares**

Prior to May 19, 2022, the Company had 1,900,000 common shares held in escrow. These escrow shares are subject to timed release over 18 months with the first 25% being released on May 20, 2022 and 25% being released every 6 months thereafter.

In connection with the Transaction, 5,613,187 common shares of the Company were held in escrow. The escrowed shares are subject to a timed release in equal tranches over a period of 36 months with 10%, 561,319 common shares, having been released on May 20, 2022. The remaining escrowed shares will be released in equal tranches of 15% every 6 months thereafter.

As at September 30, 2022, 6,476,868 common shares were held in escrow (December 31, 2021 - nil).

### **Stock options**

The Company established a stock option plan (the "Plan") for the benefit of full-time and part-time employees, officers, directors, and consultants of the Company and its affiliates. The maximum number of shares available under the Plan is limited to 10% of the issued common shares of the Company and are exercisable within a maximum of ten years. The Board of Directors has the exclusive power over the granting of stock options, the exercise price, the term, and their vesting and cancellation provisions.

**10. SHAREHOLDERS' EQUITY (Continued)**

On May 19, 2022, as a result of the Transaction, the Company acquired 500,000 stock options granted to former directors of KCI on May 18, 2018, with an exercise price of \$0.10 per stock option, expiring on May 18, 2023. These options were vested immediately. As a result, no further share-based compensation expense was recognized in relation to these options during the year ended December 31, 2022. The fair value of these options, however, was remeasured at the RTO date and included in the consideration transferred, amounting to \$82,906. The fair value of these options was determined using Black-Scholes option pricing model with the following range of market inputs: average stock price of \$0.25, average risk-free rate of 2.34%, expected life of one year, average volatility of 100%, and dividend yield of 0%.

On May 19, 2022, in relation to the closing of the Transaction, the Company issued 2,200,000 stock options to directors and officers of the Company, with an exercise price of \$0.25 per stock option, which expire on May 19, 2027. The options vested immediately. The fair value at grant date of these options was determined at \$414,751 using Black-Scholes option pricing model with the following range of market inputs: average stock price of \$0.25, average risk-free rate of 2.73%, expected life of five years, average volatility of 100%, and dividend yield of 0%.

During the three and nine months ended September 30, 2022, the Company incurred \$nil and \$414,751, respectively, in connection with stock options vested (2021 - \$nil and \$nil).

As at September 30, 2022, there were 2,100,000 outstanding options that had been granted to related parties.

The summary of the Company's stock option activity is presented below:

|                                     | Number of<br>options<br>outstanding | Weighted<br>average<br>exercise price |
|-------------------------------------|-------------------------------------|---------------------------------------|
|                                     | #                                   | \$                                    |
| Balance, December 31, 2021 and 2020 | -                                   | -                                     |
| Issued                              | 2,200,000                           | 0.25                                  |
| Acquired from the Transaction       | 500,000                             | 0.10                                  |
| Exercised                           | (200,000)                           | (0.10)                                |
| <b>Balance, September 30, 2022</b>  | <b>2,500,000</b>                    | <b>0.23</b>                           |

| Expiry date                        | Number of<br>options<br>outstanding | Number of<br>options<br>exercisable | Weighted<br>average<br>exercise price | Weighted<br>average<br>remaining life |
|------------------------------------|-------------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|
|                                    | #                                   | #                                   | \$                                    | years                                 |
| May 18, 2023                       | 300,000                             | 300,000                             | 0.10                                  | 0.53                                  |
| May 19, 2027                       | 2,200,000                           | 2,200,000                           | 0.25                                  | 4.64                                  |
| <b>Balance, September 30, 2022</b> | <b>2,500,000</b>                    | <b>2,500,000</b>                    | <b>0.23</b>                           | <b>4.15</b>                           |

**Warrants**

On September 18, 2020, the Company issued 298,699 special warrants to settle \$29,870 in amounts owing to vendors. These special warrants automatically convert into common shares of the Company upon the execution of the going public transaction on the effective date for no additional consideration. On May 19, 2022, the Company converted 298,699 special warrants to 298,699 common shares.

On May 19, 2022, in relation to the private placement of units, the Company issued 5,622,600 warrants. Each warrant is exercisable for one common share of the Company until May 19, 2024, with an exercise price of \$0.40 per warrant. In connection with the private placement of units, the Company issued 84,000 finder's warrants with exercise price of \$0.40.

The fair value of agent warrants issued for the nine months ended September 30, 2022 is determined using Black-Scholes option pricing model with the following range of market inputs: average stock price of \$0.25, average risk-free rate of 2.70%, average volatility of 110%, and dividend yield of 0%.

**10. SHAREHOLDERS' EQUITY (Continued)**

The summary of the Company's warrants is presented below:

|                                     | Number of<br>warrants<br>outstanding | Weighted<br>average<br>exercise price |
|-------------------------------------|--------------------------------------|---------------------------------------|
|                                     | #                                    | \$                                    |
| Balance, December 31, 2021 and 2020 | 298,699                              | 0.10                                  |
| Exercised                           | (298,699)                            | 0.10                                  |
| Issued                              | 5,706,600                            | 0.40                                  |
| <b>Balance, September 30, 2022</b>  | <b>5,706,600</b>                     | <b>0.40</b>                           |

  

|              | Number of<br>warrants<br>outstanding | Weighted<br>average<br>exercise price | Weighted<br>average<br>remaining life |
|--------------|--------------------------------------|---------------------------------------|---------------------------------------|
|              | #                                    | \$                                    | years                                 |
| May 19, 2024 | 5,706,600                            | 0.40                                  | 1.64                                  |

**11. RELATED PARTY TRANSACTIONS**

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

The transactions with key management personnel for the three and nine months ended September 30, 2022 and 2021 are as follows:

|                              | Three months ended<br>September 30, |               | Nine months ended<br>September 30, |               |
|------------------------------|-------------------------------------|---------------|------------------------------------|---------------|
|                              | 2022                                | 2021          | 2022                               | 2021          |
|                              | \$                                  | \$            | \$                                 | \$            |
| Interest expense (Note 8, 9) | -                                   | 969           | 2,259                              | 969           |
| Management fees              | 30,000                              | 4,500         | 47,500                             | 13,500        |
| Professional fees            | 40,393                              | 7,688         | 85,755                             | 23,063        |
| Share-based compensation     | -                                   | -             | 377,046                            | -             |
|                              | <b>70,393</b>                       | <b>13,157</b> | <b>512,560</b>                     | <b>37,532</b> |

Included in accounts payable and accrued liabilities as at September 30, 2022 is \$32,801 (December 31, 2021 - \$42,834) due to officers, directors, and companies controlled by directors of the Company, of which \$14,500 was related to purchase of property and equipment. The amount due to the related parties is payable on demand and is unsecured and non-interest bearing.

**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.

**12. CAPITAL MANAGEMENT (Continued)**

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. RESTATEMENT OF THE PREVIOUSLY REPORTED UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

During the preparation of the annual financial statements for the year ended December 31, 2022, management identified certain transactions for recognition and/or reclassification during the nine months ended September 30, 2022, as well as revised assumptions used in the Black-Scholes option pricing model to estimate the fair value of 750,000 common shares issued as an option payment for the Black Hawk project; and 5,113,271 common shares, 5,622,600 share purchase warrants, 84,000 agent warrants, and 2,700,000 incentive stock option issued pursuant to the Transaction on May 19, 2022. As a result of these changes, management is restating the Q3 2022 Financial Statements.

The cumulative effect of the adjustments on the statement of financial position is presented below:

|   | Previously reported | Change        | Restated           |
|---|---------------------|---------------|--------------------|
|   | \$                  | \$            | \$                 |
| <b>ASSETS</b>                                     |                     |               |                    |
| <b>Current</b>                                    |                     |               |                    |
| Cash  | 1,765,485           | -             | <b>1,765,485</b>   |
| GST receivables                                   | 42,997              | -             | <b>42,997</b>      |
| Prepaid expenses                                  | 16,920              | -             | <b>16,920</b>      |
|   | 1,825,402           | -             | <b>1,825,402</b>   |
| Exploration and evaluation assets                 | 1,700,571           | 37,500        | <b>1,738,071</b>   |
| Property and equipment                            | 14,258              | -             | <b>14,258</b>      |
| <b>Total assets</b>                               | <b>3,540,231</b>    | <b>37,500</b> | <b>3,577,731</b>   |
| <b>LIABILITIES</b>                                |                     |               |                    |
| <b>Current</b>                                    |                     |               |                    |
| Accounts payable and accrued liabilities          | 170,033             | -             | <b>170,033</b>     |
| <b>Total liabilities</b>                          | <b>170,033</b>      | <b>-</b>      | <b>170,033</b>     |
| <b>Shareholders' equity</b>                       |                     |               |                    |
| Share capital                                     | 10,272,460          | 769,058       | <b>11,041,518</b>  |
| Contributed surplus                               | 356,024             | (356,024)     | -                  |
| Reserves  | 476,457             | (1,369)       | <b>475,088</b>     |
| Deficit   | (7,734,743)         | (374,165)     | <b>(8,108,908)</b> |
| <b>Total shareholders' equity</b>                 | <b>3,370,198</b>    | <b>37,500</b> | <b>3,407,698</b>   |
| <b>Total liabilities and shareholders' equity</b> | <b>3,540,231</b>    | <b>37,500</b> | <b>3,577,731</b>   |

**Notes to the Condensed Interim Consolidated Financial Statements**

For the three and nine months ended September 30, 2022 and 2021

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

**13. RESTATEMENT OF THE PREVIOUSLY REPORTED UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)**

There were no adjustments on the statement of loss and comprehensive loss for the three months ended September 30, 2022.

The cumulative effect of the adjustments on the statement of loss and comprehensive loss for the nine months ended September 30, 2022 is presented below:

|   | Previously<br>reported | Change  | Restated   |
|---|------------------------|---------|------------|
|   | \$                     | \$      | \$         |
| <b>Operating expenses</b>                                   |                        |         |            |
| Consulting fees   | 20,079                 | -       | 20,079     |
| Depreciation expense  | 242                    | -       | 242        |
| Interest expense  | 5,650                  | -       | 5,650      |
| Insurance expense   | 4,354                  | -       | 4,354      |
| Investor relations  | 220,075                | -       | 220,075    |
| Management fees   | 47,500                 | -       | 47,500     |
| Office expenses   | 58,586                 | -       | 58,586     |
| Professional fees   | 143,858                | -       | 143,858    |
| Share-based compensation                                    | 318,954                | 95,797  | 414,751    |
|   | 819,298                | 95,797  | 915,095    |
| <b>Other expenses</b>                                       |                        |         |            |
| Foreign exchange loss                                       | 3,186                  | -       | 3,186      |
| Listing expense   | 1,314,170              | 278,368 | 1,592,538  |
| <b>Net loss and comprehensive loss</b>                      | 2,136,654              | 374,165 | 2,510,819  |
| <b>Weighted average number of common shares outstanding</b> |                        |         |            |
| Basic and diluted   | 46,755,628             | -       | 46,755,628 |
| <b>Loss per share</b>                                       |                        |         |            |
| Basic and diluted   | 0.05                   | -       | 0.05       |

**Notes to the Condensed Interim Consolidated Financial Statements**

For the three and nine months ended September 30, 2022 and 2021

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

**13. RESTATEMENT OF THE PREVIOUSLY REPORTED UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)**

The cumulative effect of the adjustments on the statement of cash flow for the nine months ended September 30, 2022 is presented below:

|  | Previously<br>reported | Change          | Restated           |
|--|------------------------|-----------------|--------------------|
|  | \$                     | \$              | \$                 |
| <b>Operating activities:</b>                                 |                        |                 |                    |
| Net loss and comprehensive loss                              | (2,136,654)            | (374,165)       | <b>(2,510,819)</b> |
| Adjustments for non-cash items:                              |                        |                 |                    |
| Depreciation expense   | 242                    | -               | <b>242</b>         |
| Interest expense   | 5,650                  | (5,650)         | -                  |
| Share-based compensation                                     | 318,954                | 95,797          | <b>414,751</b>     |
| Unrealized foreign exchange loss                             | 1,402                  | -               | <b>1,402</b>       |
| Listing expense  | 1,250,849              | 341,689         | <b>1,592,538</b>   |
| Changes in non-cash working capital items:                   |                        |                 |                    |
| GST receivables  | (8,328)                | -               | <b>(8,328)</b>     |
| Deferred transaction costs                                   | 146,232                | (146,232)       | -                  |
| Prepaid expenses   | (14,288)               | -               | <b>(14,288)</b>    |
| Accounts payable and accrued liabilities                     | (325,866)              | 151,882         | <b>(173,984)</b>   |
| <b>Net cash used in operating activities</b>                 | <b>(761,807)</b>       | <b>63,321</b>   | <b>(698,486)</b>   |
| <b>Investing activities:</b>                                 |                        |                 |                    |
| Blackhawk Property expenditures                              | (151,786)              | -               | <b>(151,786)</b>   |
| Cash acquired from the Transaction, net of transaction costs | 54,050                 | (63,321)        | <b>(9,271)</b>     |
| <b>Net cash used in investing activities</b>                 | <b>(97,736)</b>        | <b>(63,321)</b> | <b>(161,057)</b>   |
| <b>Financing activities:</b>                                 |                        |                 |                    |
| Proceeds from issuance of units                              | 1,455,000              | -               | <b>1,455,000</b>   |
| Issuance costs   | (21,000)               | -               | <b>(21,000)</b>    |
| Proceeds from options exercised                              | 20,000                 | -               | <b>20,000</b>      |
| Loans payable  | 10,000                 | -               | <b>10,000</b>      |
| Repayment of debt  | (176,456)              | -               | <b>(176,456)</b>   |
| Payment of interest payable                                  | (28,029)               | -               | <b>(28,029)</b>    |
| <b>Net cash provided by financing activities</b>             | <b>1,259,515</b>       | <b>-</b>        | <b>1,259,515</b>   |
| Net increase (decrease) in cash                              | 399,972                | -               | <b>399,972</b>     |
| Cash and restricted cash, beginning of period                | 1,365,513              | -               | <b>1,365,513</b>   |
| <b>Cash and restricted cash, end of period</b>               | <b>1,765,485</b>       | <b>-</b>        | <b>1,765,485</b>   |

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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

**13. RESTATEMENT OF THE PREVIOUSLY REPORTED UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)**

The cumulative effect of the adjustments on the statement of changes in shareholders' equity for the nine months ended September 30, 2022 is presented below:

| Previously reported                                 | Common<br>shares  | Share<br>capital  | Contributed<br>Surplus | Equity<br>component of<br>convertible<br>debentures | Reserves       | Deficit            | Total<br>shareholders'<br>equity<br>(deficiency) |
|---|-------------------|-------------------|------------------------|---|----------------|--------------------|--|
|   | #                 | \$                | \$                     | \$  | \$             | \$                 | \$   |
| Balance, December 31, 2021                          | 38,153,574        | 6,712,012         | -                      | 949   | 29,870         | (5,598,089)        | 1,144,742  |
| Units issued in private placements                  | 11,245,200        | 2,337,020         | -                      | -   | 474,280        | -                  | 2,811,300  |
| Issuance of agent warrants                          | -                 | -                 | -                      | -   | 6,881          | -                  | 6,881  |
| Issuance costs                                      | -                 | (23,177)          | -                      | -   | (4,704)        | -                  | (27,881)   |
| Special warrants exercised                          | 298,699           | 29,870            | -                      | -   | (29,870)       | -                  | -  |
| Options exercised                                   | 200,000           | 44,081            | (24,081)               | -   | -              | -                  | 20,000   |
| Reclassification of the conversion feature          | -                 | -                 | 949                    | (949)   | -              | -                  | -  |
| Shares issued for the Transaction                   | 5,113,271         | 1,022,654         | -                      | -   | -              | -                  | 1,022,654  |
| Options acquired from the Transaction               | -                 | -                 | 60,202                 | -   | -              | -                  | 60,202   |
| Shares issued for exploration and evaluation assets | 750,000           | 150,000           | -                      | -   | -              | -                  | 150,000  |
| Share-based compensation                            | -                 | -                 | 318,954                | -   | -              | -                  | 318,954  |
| Net loss and comprehensive loss                     | -                 | -                 | -                      | -   | -              | (2,136,654)        | (2,136,654)                                      |
| <b>Balance, September 30, 2022</b>                  | <b>55,760,744</b> | <b>10,272,460</b> | <b>356,024</b>         | <b>-</b>  | <b>476,457</b> | <b>(7,734,743)</b> | <b>3,370,198</b>                                 |

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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

## 13. RESTATEMENT OF THE PREVIOUSLY REPORTED UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

| Changes   | Common shares | Share capital  | Contributed Surplus | Equity component of convertible debentures | Reserves       | Deficit          | Total shareholders' equity (deficiency) |
|---|---------------|----------------|---------------------|--|----------------|------------------|---|
|   | #             | \$             | \$                  | \$   | \$             | \$               | \$                                      |
| Balance, December 31, 2021                          | -             | -              | -                   | -  | -              | -                | -                                       |
| Units issued in private placements                  | -             | 474,280        | -                   | -  | (474,280)      | -                | -                                       |
| Issuance of agent warrants                          | -             | (9,645)        | -                   | -  | 2,764          | -                | (6,881)                                 |
| Issuance costs                                      | -             | 2,177          | -                   | -  | 4,704          | -                | 6,881                                   |
| Options exercised                                   | -             | 9,082          | 24,081              | -  | (33,163)       | -                | -                                       |
| Reclassification of the conversion feature          | -             | -              | (949)               | -  | 949            | -                | -                                       |
| Shares issued for the Transaction                   | -             | 255,664        | -                   | -  | -              | -                | 255,664                                 |
| Options acquired from the Transaction               | -             | -              | (60,202)            | -  | 82,906         | -                | 22,704                                  |
| Shares issued for exploration and evaluation assets | -             | 37,500         | -                   | -  | -              | -                | 37,500                                  |
| Share-based compensation                            | -             | -              | (318,954)           | -  | 414,751        | -                | 95,797                                  |
| Net loss and comprehensive loss                     | -             | -              | -                   | -  | -              | (374,165)        | (374,165)                               |
| <b>Balance, September 30, 2022</b>                  | -             | <b>769,058</b> | <b>(356,024)</b>    | -  | <b>(1,369)</b> | <b>(374,165)</b> | <b>37,500</b>                           |

| Restated  | Common shares     | Share capital     | Contributed Surplus | Equity component of convertible debentures | Reserves       | Deficit            | Total shareholders' equity (deficiency) |
|---|-------------------|-------------------|---------------------|--|----------------|--------------------|---|
|   | #                 | \$                | \$                  | \$   | \$             | \$                 | \$                                      |
| Balance, December 31, 2021                          | 38,153,574        | 6,712,012         | -                   | 949  | 29,870         | (5,598,089)        | 1,144,742                               |
| Units issued in private placements                  | 11,245,200        | 2,811,300         | -                   | -  | -              | -                  | 2,811,300                               |
| Issuance of agent warrants                          | -                 | (9,645)           | -                   | -  | 9,645          | -                  | -                                       |
| Issuance costs                                      | -                 | (21,000)          | -                   | -  | -              | -                  | (21,000)                                |
| Special warrants exercised                          | 298,699           | 29,870            | -                   | -  | (29,870)       | -                  | -                                       |
| Options exercised                                   | 200,000           | 53,163            | -                   | -  | (33,163)       | -                  | 20,000                                  |
| Reclassification of the conversion feature          | -                 | -                 | -                   | (949)                                      | 949            | -                  | -                                       |
| Shares issued for the Transaction                   | 5,113,271         | 1,278,318         | -                   | -  | -              | -                  | 1,278,318                               |
| Options acquired from the Transaction               | -                 | -                 | -                   | -  | 82,906         | -                  | 82,906                                  |
| Shares issued for exploration and evaluation assets | 750,000           | 187,500           | -                   | -  | -              | -                  | 187,500                                 |
| Share-based compensation                            | -                 | -                 | -                   | -  | 414,751        | -                  | 414,751                                 |
| Net loss and comprehensive loss                     | -                 | -                 | -                   | -  | -              | (2,510,819)        | (2,510,819)                             |
| <b>Balance, September 30, 2022</b>                  | <b>55,760,744</b> | <b>11,041,518</b> | -                   | -  | <b>475,088</b> | <b>(8,108,908)</b> | <b>3,407,698</b>                        |

## **14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

### **Fair value information**

The fair values of cash, restricted cash, accounts payable and accrued liabilities, loans payable, and convertible debentures approximate their carrying values due to their 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 financial loss to the Company if a counterparty fails to meet an obligation under contract.

The Company's cash is exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness.

#### *Liquidity Risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities.

As the Company's operations do not generate cash, financial liabilities are discharged using funding through the issuance of common stock or debt as required. As at September 30, 2022, the Company had sufficient cash on hand to discharge its financial liabilities as they become due.

#### *Market risk*

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

#### 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 do not represent a significant risk for 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 and trade payables which are denominated in US\$. As at September 30, 2022, the Company had US\$-denominated net liabilities of US\$4,271, equivalent to \$5,974 (December 31, 2021 - US\$128,628, equivalent to \$163,098). A 5% change in the US dollar against the Canadian dollar as at September 30, 2022 would result in a \$299 impact to the Company.

#### b) 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. The Company is not exposed to interest rate risk as at September 30, 2022.

**Notes to the Condensed Interim Consolidated Financial Statements**

For the three and nine months ended September 30, 2022 and 2021

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

**15. SUBSEQUENT EVENTS**

On February 13, 2023, the Company entered into an option agreement with Guy Delorme (the "Optionor") to acquire 100% interest in mineral claims located in British Columbia, Canada (the "Mastodon Nickel Project"). The option agreement requires a series of cash payments, exploration expenditures and share consideration as follows:

- An initial deposit of \$25,000, payable to the Optionor within thirty days of the effective date of the option agreement.
- 10% of exploration expenditures, capped at \$975,000, payable within ninety days of the completion of the work program.
- Incurring a minimum of \$150,000 of exploration expenditure within twelve months the effective date of the option agreement.
- Preparation and delivery of the technical report to the Optionor within twelve months the effective date of the option agreement.
- Issuance of a total of 1,200,000 common shares of the Company issued as follows: 50,000 common shares issuable within five days of the execution of the option agreement; 150,000 common share issuable on the first anniversary of the option agreement, and 200,000 common shares issuable on each anniversary of the option agreement for five years thereafter.

The claims are subject to a 1.5% net smelter royalty ("NSR") to the Optionor and 1.5% to Carlium Developments Inc ("Carlium"). The NSR is subject to a buyback right whereby the Company is entitled to purchase 0.5% of the NSR for a cash payment of \$1,000,000 to each or either of the Optionor or Carlium. There is a further buyback right available within twelve months of the commencement of commercial production whereby the Company is entitled to purchase an additional 0.5% of the NSR for \$1,500,000 to each or either of the Optionor or Carlium. An advance royalty of \$25,000 each per year shall be payable to the Optionor and Carlium on the seventh anniversary of the effective date of this option agreement.

On April 13, 2023, the Company made the initial option payment of \$25,000 and issued 50,000 shares to the Optionor Guy Delorme following the Exchange acceptance of the option agreement for the Mastodon Nickel Project.

On July 6, 2023, the Company issued 400,000 stock options to consultants of the Company, with an exercise of \$0.10 per stock option, which expire on July 6, 2028.