

KAPA GOLD INC.

Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2025 and 2024

(Unaudited - Expressed in Canadian dollars)

Notice of Disclosure of Non-auditor Review of the Condensed Interim Consolidated Financial Statements for the Three and Nine Months Ended September 30, 2025 and 2024

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 condensed interim consolidated financial statements of Kapa Gold Inc. for the interim periods ended September 30, 2025 and 2024, 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 condensed interim consolidated financial statements.

November 18, 2025

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

KAPA GOLD INC.**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

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

	Note	Three months ended, September 30,		Nine months ended, September 30,	
		2025	2024	2025	2024
		\$	\$	\$	\$
Operating expenses					
Consulting fees	9	13,195	13,562	55,451	44,538
Depreciation expense		725	725	2,175	2,175
Insurance expense		11,414	8,669	34,088	24,843
Investor relations	9	9,713	14,671	41,817	52,847
Legal and professional fees (recovery)		12,457	(10,380)	62,918	38,824
Management fees	9	45,375	47,937	141,045	156,625
Office expense		1,542	3,150	12,130	9,368
Share-based compensation	8(d),9	-	26,344	-	29,749
Transfer agent and exchange fees		11,493	5,801	35,798	18,890
Travel		4,722	-	12,739	-
		110,636	110,479	398,161	377,859
Other income (expenses)					
Foreign exchange loss		(3,870)	(2,128)	(10,629)	(3,626)
Recovery of impairment (impairment) of exploration and evaluation assets	6(b)	-	4,269	-	(2,469)
Interest income	5	1,851	-	2,790	-
Other income		-	-	51,188	-
Loss and comprehensive loss		(112,655)	(108,338)	(354,812)	(383,954)
Loss per share:					
Basic and diluted		(0.00)	(0.00)	(0.00)	(0.01)
Weighted average number of common shares:					
Basic and diluted		77,107,196	55,810,744	76,247,644	55,810,744

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

KAPA GOLD INC.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in Canadian dollars)

	Nine months ended September 30,	
	2025	2024
	\$	\$
Operating activities		
Loss and comprehensive loss for the period	(354,812)	(383,954)
Adjustments for:		
Depreciation expense	2,175	2,175
Share-based compensation	-	29,749
Unrealized foreign exchange loss	-	2,537
Impairment of exploration and evaluation assets	-	2,469
Changes in non-cash working capital:		
GST receivable	(8,262)	(8,861)
Prepaid expenses and deposits	71,079	(34,161)
Accounts payable and accrued liabilities	(10,085)	59,882
Cash used in operating activities	(299,905)	(330,164)
Investing activities		
Blackhawk Property expenditures	(155,980)	(10,916)
Mastodon Nickel Project expenditures	-	(2,469)
Cash used in investing activities	(155,980)	(13,385)
Financing activities		
Cash received from exercise of warrants	750,490	-
Cash provided by financing activities	750,490	-
Change in cash and cash equivalents	294,605	(343,549)
Cash and cash equivalents, beginning of period	870,545	527,451
Cash and cash equivalents, end of period	1,165,150	183,902
Supplemental cash flow information:		
Cash income tax paid	-	-
Cash interest received	1,851	-
Exploration and evaluation expenditures included in accounts payable and accrued liabilities	4,084	12,183

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

KAPA GOLD INC.**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**

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

	Common shares	Share capital	Reserves	Deficit	Total shareholders' equity
	#	\$	\$	\$	\$
Balance, December 31, 2023	55,810,744	11,047,018	492,195	(9,068,390)	2,470,823
Share-based compensation	-	-	29,749	-	29,749
Loss and comprehensive loss for the period	-	-	-	(383,954)	(383,954)
Balance, September 30, 2024	55,810,744	11,047,018	521,944	(9,452,344)	2,116,618
Units issued in private placement	20,000,000	1,000,000	-	-	1,000,000
Unit issuance costs	-	(5,885)	-	-	(5,885)
Share-based compensation	-	-	51,361	-	51,361
Loss and comprehensive loss for the period	-	-	-	(233,547)	(233,547)
Balance, December 31, 2024	75,810,744	12,041,133	573,305	(9,685,891)	2,928,547
Shares issued pursuant to exercise of warrants	3,952,600	750,490	-	-	750,490
Loss and comprehensive loss for the period	-	-	-	(354,812)	(354,812)
Balance, September 30, 2025	79,763,344	12,791,623	573,305	(10,040,703)	3,324,225

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

KAPA GOLD INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2025 and 2024**

(Unaudited - Expressed in Canadian dollars, except where noted)

1. NATURE OF OPERATIONS AND GOING CONCERN

Kapa Gold Inc. (the “Company” or “Kapa”) was incorporated under the laws of British Columbia, Canada on January 29, 2018. 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”. The Company’s principal business activities include the acquisition and exploration of mineral property assets.

These unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2025 and 2024 (“financial statements”) have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for at least the next twelve months.

As at September 30, 2025, the Company had working capital of \$984,112 (December 31, 2024 - \$740,868), had not yet achieved profitable operations, and had an accumulated deficit of \$10,040,703 (December 31, 2024 - \$9,685,891). These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company’s ability to continue as a going concern. As a result, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. 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. Although 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 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. Management has concluded that the working capital position of the Company is sufficient to finance continued operations over at least a twelve-month period.

2. BASIS OF PRESENTATION**a) Statement of compliance**

These financial statements were approved by the Board of Directors and authorized for issuance on November 18, 2025.

These financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These financial statements do not include all the information and disclosures required in annual financial statements. Accordingly, they should be read in conjunction with the Company’s audited consolidated financial statements for the years ended December 31, 2024 and 2023 (the “Annual Financial Statements”).

b) Basis of measurement

These financial statements have been prepared using the historical cost basis, except for certain financial assets and liabilities which are measured at fair value, as specified by IFRS Accounting Standards for each type of asset, liability, income, and expense as set out in the accounting policies below. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

c) Functional and presentation currency

The financial statements are presented in Canadian dollars (“\$” or “CAD”) which is the functional currency of the Company and its subsidiaries. The functional currency is the currency of the primary economic environment in which an entity operates. References to “US\$” are to United States dollars.

d) Basis of consolidation

These 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 financial statements from the date control commences until the date control ceases.

KAPA GOLD INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2025 and 2024**

(Unaudited - Expressed in Canadian dollars, except where noted)

2. BASIS OF PRESENTATION (continued)

A summary of the Company and all subsidiaries included in these financial statements as at September 30, 2025 is as follows:

Name of entities	Country of incorporation	Percentage ownership	Functional currency	Principal activity
Quantus Resources Corp.	Canada	100%	CAD	Holding company and head office operations
Kapa Gold Inc.	Canada	100%	CAD	Mineral exploration
Kapa Gold Limited USA Inc.	United States	100%	CAD	Mineral exploration

e) Reclassification of prior period presentation

Certain prior period amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations. For the three and nine months ended September 30, 2024, \$17,938 and \$66,625, respectively, were reclassified from professional fees to management fees (Note 9).

3. MATERIAL ACCOUNTING POLICIES

The same accounting policies and methods of computation are followed in these financial statements as compared with the Annual Financial Statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements under IFRS Accounting Standards requires management to make judgements in applying its accounting policies and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Such judgements and estimates are, by their nature, uncertain. Actual outcomes could differ from these estimates.

The impact of such judgements and estimates are pervasive throughout these financial statements and may require accounting adjustments based on future occurrences. These judgements and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and are accounted for prospectively.

In preparing these financial statements, the Company applied the same significant judgements in applying its accounting policies and is exposed to the same sources of estimation uncertainty as disclosed in its Annual Financial Statements.

5. CASH AND CASH EQUIVALENTS

Cash is comprised of cash deposits held in reputable financial institutions and cash equivalents consist of redeemable guaranteed investment certificates ("GICs").

A summary of the Company's cash and cash equivalents is as follows:

	September 30, 2025	December 31, 2024
	\$	\$
Cash	832,359	870,545
Cash equivalents ⁽¹⁾	332,791	-
	1,165,150	870,545

(1) Cash equivalents consist of redeemable GICs with maturities of 1 to 8 months and interest rates of 2.25%.

During the three and nine months ended September 30, 2025, the Company earned interest income of \$1,851 and \$2,790, respectively (2024 - \$nil and \$nil, respectively), from GICs.

KAPA GOLD INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2025 and 2024**

(Unaudited - Expressed in Canadian dollars, except where noted)

6. EXPLORATION AND EVALUATION ASSETS

A summary of the Company's exploration and evaluation assets is as follows:

	Blackhawk Property	Mastodon Nickel Project	Total
	\$	\$	\$
Balance, December 31, 2023	2,139,758	-	2,139,758
Exploration and evaluation expenditures:			
Field costs	19,812	1,539	21,351
Mapping and reports	-	280	280
Mining claims	8,100	-	8,100
Property maintenance costs	9,788	-	9,788
Rock sampling assays	2,496	650	3,146
Other costs relating to Mastodon	-	(6,738)	(6,738)
Impairment of exploration and evaluation assets (Note 6(b))	-	4,269	4,269
Balance, December 31, 2024	2,179,954	-	2,179,954
Exploration and evaluation expenditures:			
Field costs (Note 9)	135,185	-	135,185
Property maintenance costs	17,809	-	17,809
Rock sampling assays	1,615	-	1,615
Balance, September 30, 2025	2,334,563	-	2,334,563

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 that is characteristic of many mineral property interests.

a) 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 (the "Property") located near the Lucerne Valley in San Bernardino County, California, a natural resource exploration property targeting gold and other metals and minerals.

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.

On May 19, 2022, the Company issued 750,000 common shares at \$0.25 per share to Blackcali for a fair value of \$187,500 in consideration for a 100% interest in the Property.

During the three and nine months ended September 30, 2025, the Company capitalized exploration and evaluation expenditures of \$60,601 and \$154,609, respectively (2024 - \$5,285 and \$23,099, respectively) on the Property.

During the nine months ended September 30, 2025, the Company received a refund of \$51,188 (US\$36,984) (2024 - \$nil (US\$nil)) related to a rehabilitation bond payment previously made for the Blackhawk project before the Company entered into the option agreement with Blackcali. This amount is presented as other income in the statement of loss and comprehensive loss.

Option Agreement

On September 24, 2024, the Company entered into an option agreement (the "Option Agreement") with MFD Investment Holdings S.A. ("MFD"), pursuant to which the Company granted MFD the option to acquire 10% interest in the Blackhawk Property (the "Earned Interest") upon satisfaction of certain requirements.

KAPA GOLD INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2025 and 2024**

(Unaudited - Expressed in Canadian dollars, except where noted)

6. EXPLORATION AND EVALUATION ASSETS (continued)

In order to exercise the option, MFD is required to incur expenditures of US\$1,000,000 before August 1, 2027. These expenditures must include at least 600 metres of exploration drilling on the Blackhawk Property and cover engineering and technical studies, advisory services, and other related costs. Expenditures will include all ancillary costs such as overhead, travel, and third-party consultant fees and will be subject to the Company's approval.

Furthermore, the Company grants MFD an exclusive, unconditional, and irrevocable right to exercise the Company's right to buy 50% of the existing net smelter returns and gross rock royalty on the project. This right may be exercised by MFD at any time.

Upon the exercise of these two conditions, MFD will become irrevocably entitled to the Earned Interest. In the event that MFD earns the Earned Interest and the Blackhawk Property has not been sold or joint ventured to a third party, a joint venture will be formed and a formal joint venture agreement will be prepared and executed which will include the following terms:

	Interest	Deemed expenditures
	%	\$
The Company	90	9,000,000
MFD	10	1,000,000

In addition, subject to approval of the Exchange, the Company will issue common shares to MFD based on permitting milestones and resource-based achievements as follows:

Permitting Milestones:

- 500,000 common shares upon obtaining the drilling permit; and
- 5,000,000 common shares upon developing a Permitting Framework, obtaining the Environmental Impact Assessment, and Mine Operations Permit. The bonus for the collective Mine Permits will be contingent on specific, detailed milestones to be defined by the parties at a later date.

Resource-Based Bonuses:

Common shares will be awarded for the successful definition and confirmation of mineral resources as defined using *National Instruments 43-101* requirements as follows:

- 1 million ounces of resource: 500,000 common shares;
- 2 million ounces of resource: additional 500,000 common shares for a cumulative total of 1,000,000 common shares;
- 3 million ounces of resource: additional 1,000,000 common shares for a cumulative total of 2,000,000 common shares;
- 4 million ounces of resource: additional 1,500,000 common shares for a cumulative total of 3,500,000 common shares;
- 5 million ounces of resource: additional 2,000,000 common shares for a cumulative total of 5,500,000 common shares; and
- For each additional 1 million ounces of resources beyond 5 million, but not more than 10 million: additional 1,000,000 common shares per million.

During the three and nine months ended September 30, 2025, MFD incurred expenditures of \$112,622 (US\$81,772) and \$301,590 (US\$216,644), respectively (2024 - \$nil and \$nil). As at September 30, 2025, MFD incurred total expenditures of \$599,712 (US\$423,832) (December 31, 2024 - \$298,122 (US\$207,188), and none of the milestones above had been met.

b) Mastodon Nickel Project

On February 13, 2023, the Company entered into an option agreement (the "Mastodon Option Agreement") with Mr. Guy Delorme (the "Optionor") to acquire 100% interest in mineral claims located in British Columbia, Canada (the "Mastodon Nickel Project").

On April 4, 2024, management terminated the Mastodon Option Agreement. As a result, the Mastodon Nickel Project was fully impaired at December 31, 2023, resulting in an impairment charge of \$58,942 recorded during the year ended December 31, 2023. During the nine months ended September 30, 2024, the Company incurred \$6,738 in expenses resulting in an impairment charge of \$6,738. Subsequent to the termination of the Mastodon Nickel Project, \$4,269 of accruals were reversed, resulting in a net impairment charge of \$2,469 for the nine months ended September 30, 2024.

KAPA GOLD INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2025 and 2024**

(Unaudited - Expressed in Canadian dollars, except where noted)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

A summary of the Company's accounts payable and accrued liabilities is as follows:

	September 30, 2025	December 31, 2024
	\$	\$
Accounts payable	206,609	218,067
Accrued liabilities	28,500	28,498
	235,109	246,565

8. SHAREHOLDERS' EQUITY**a) Authorized**

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

b) Issued share capital

As at September 30, 2025, there were 79,763,344 issued and fully paid common shares outstanding (December 31, 2024 - 75,810,744).

During the nine months ended September 30, 2025, the Company had the following share capital transaction:

- The Company issued 3,952,600 common shares pursuant to the exercise of 3,952,600 warrants with a weighted average exercise price of \$0.19 for gross proceeds of \$750,490. The fair value of the warrants was determined to be \$nil at initial recognition, resulting in no amount being transferred to share capital from reserves.

c) Escrow shares

Prior to the reverse take-over ("RTO") on 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 six months thereafter.

After the completion of the RTO, the Company had an additional 5,613,187 common shares held in escrow. These escrowed shares are subject to a timed release in equal tranches over a period of 36 months with 10%, 561,319 common shares being released on May 20, 2022 and the remaining escrowed shares released in equal tranches of 15% every six months thereafter.

During the nine months ended September 30, 2025, 841,978 shares were released from escrow (2024 - 841,978).

As at September 30, 2025, there were no common shares held in escrow (December 31, 2024 - 841,978).

d) Stock options

A summary of the Company's stock option activity is as follows:

	Number of options outstanding	Weighted average exercise price
	#	\$
Balance, December 31, 2023	2,600,000	0.23
Granted	2,150,000	0.10
Balance, September 30, 2025 and December 31, 2024	4,750,000	0.17

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 five 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.

KAPA GOLD INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2025 and 2024**

(Unaudited - Expressed in Canadian dollars, except where noted)

8. SHAREHOLDERS' EQUITY (continued)

During the three and nine months ended September 30, 2025, the Company recognized \$nil and \$nil, respectively (2024 - \$26,344 and \$29,749, respectively) of share-based compensation.

A summary of the Company's outstanding and exercisable stock options as at September 30, 2025 is as follows:

Expiry date	Number of options outstanding	Number of options exercisable	Weighted average exercise price	Weighted average remaining life
	#	#	\$	Years
November 15, 2026	200,000	200,000	0.11	1.13
May 19, 2027	2,200,000	2,200,000	0.25	1.63
July 6, 2028	400,000	400,000	0.10	2.77
September 24, 2029	750,000	750,000	0.10	3.99
October 15, 2029	1,200,000	1,200,000	0.10	4.04
	4,750,000	4,750,000	0.17	2.69

e) Warrants

A summary of the Company's warrant activity is as follows:

	Number of warrants outstanding	Weighted average exercise price
	#	\$
Balance, December 31, 2023	5,706,600	0.40
Issued	20,000,000	0.10
Expired	(84,000)	0.40
Balance, December 31, 2024	25,622,600	0.12
Exercised	(3,952,600)	0.19
Expired	(2,070,000)	0.20
Balance, September 30, 2025	19,600,000	0.10

As at September 30, 2025, there were 19,600,000 warrants outstanding with a weighted average exercise price of \$0.10, and a weighted average remaining life of 2.10 years.

During the period ended September 30, 2025, the Company accelerated the expiry of 5,622,600 common share purchase warrants issued in connection with the May 19, 2022 private placement, from May 19, 2026 to September 10, 2025. Of these 5,622,600 warrants, 3,552,600 were exercised generating gross proceeds of \$710,490 and 2,070,000 expired unexercised.

9. 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. 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.

The Company's related parties include directors, key management personnel of the Company, including the Chief Executive Officer and Chief Financial Officer and their close family members.

KAPA GOLD INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2025 and 2024**

(Unaudited - Expressed in Canadian dollars, except where noted)

9. RELATED PARTY TRANSACTIONS (continued)

A summary of the Company's related party transactions with key management personnel is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
	\$	\$	\$	\$
Field costs capitalized in exploration and evaluation asset ⁽¹⁾	(1,250)	-	34,683	-
Consulting fees	12,969	9,939	54,224	37,315
Investor relations	7,536	6,000	19,536	18,000
Management fees	45,375	45,375	141,045	154,063
Share-based compensation	-	24,592	-	27,997
	64,630	85,906	249,488	237,375

(1) The Company received supplier credits of \$1,250 during the three months ended September 30, 2025.

Included in accounts payable and accrued liabilities as at September 30, 2025 is \$75,381 (December 31, 2024 - \$80,505) due to officers, directors, and companies controlled by directors and officers of the Company and its subsidiaries. The amount due to related parties is payable on demand, unsecured and non-interest bearing.

10. CAPITAL MANAGEMENT

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

The Property in which the Company currently has an interest is in the exploration stage. As such, the Company has historically relied on the equity capital market 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.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have not been changes to the Company's capital management policy during the nine months ended September 30, 2025.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**a) Fair value information**

As at September 30, 2025 the Company's financial instruments consist of cash and cash equivalents, deposits and accounts payable and accrued liabilities, which are classified as and measured at amortized cost.

The fair values of cash and cash equivalents, deposits and accounts payable and accrued liabilities approximate their carrying values due to their short term to maturity.

KAPA GOLD INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2025 and 2024**

(Unaudited - Expressed in Canadian dollars, except where noted)

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**b) 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 customer or counterparty to a financial instrument fails to fulfill its contractual obligations and arises principally from the Company's holdings of cash and cash equivalents and deposits. The Company reduces its credit risk on cash by placing these instruments with financial institutions of high credit worthiness. As at September 30, 2025, the Company is not exposed to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying its financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. As the Company's operations do not generate cash, financial liabilities are discharged using funding obtained through the issuance of common shares or debt as required.

As at September 30, 2025, the Company had cash and cash equivalent balance of \$1,165,150 (December 31, 2024 - \$870,545) in order to meet its current liabilities. As at September 30, 2025, the Company had accounts payable and accrued liabilities of \$235,109 (December 31, 2024 - \$246,565), which have contractual maturities of 90 days or less. As at September 30, 2025, management has assessed the liquidity risk as low. However, the Company will need to raise cash in the form of debt or equity in order to fund planned operating activities and future business development beyond the short-term period.

Foreign currency risk

Foreign currency risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that it has monetary assets and liabilities denominated in US\$.

A summary of the Company's financial instruments held in US\$, expressed in Canadian dollars is as follows:

	September 30, 2025	December 31, 2024
	\$	\$
Cash and cash equivalents	32,587	13,172
Accounts payable and accrued liabilities	13,094	4,977
	19,493	8,195

As at September 30, 2025, a 10% change in the foreign exchange rate would result in an impact of approximately \$1,949 (December 31, 2024 - \$820) to the Company's loss and comprehensive loss.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. The Company's cash and cash equivalents are held in bank accounts earning interest at variable interest rates. Due to the short-term nature of these financial instruments and the prevailing interest rate environment, fluctuations in market rates do not have a significant impact on estimated fair values as at September 30, 2025.