
KINGSMEN RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020

(Expressed in Canadian Dollars)



Independent Auditor's Report

To the Shareholders of Kingsmen Resources Ltd.

Opinion

We have audited the consolidated financial statements of Kingsmen Resources Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and December 31, 2020, and the consolidated statements of comprehensive (loss) income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and December 31, 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Gordon Cummings.

Vancouver, B.C.
March 11, 2022

"D&H Group LLP"

Chartered Professional Accountants

KINGSMEN RESOURCES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	December 31, 2021 \$	December 31, 2020 \$
ASSETS			
Current assets			
Cash		891,799	806,371
GST receivable		3,969	2,064
Amount receivable		3,029	-
Prepaid expenses		<u>10,033</u>	<u>9,537</u>
Total current assets		<u>908,830</u>	<u>817,972</u>
Non-current assets			
Exploration and evaluation assets	4	<u>1</u>	<u>1</u>
Total non-current assets		<u>1</u>	<u>1</u>
TOTAL ASSETS		<u>908,831</u>	<u>817,973</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6	<u>7,738</u>	<u>13,883</u>
TOTAL LIABILITIES		<u>7,738</u>	<u>13,883</u>
SHAREHOLDERS' EQUITY			
Share capital	5	18,901,106	18,615,138
Share-based payment reserve		2,159,638	2,159,638
Deficit		<u>(20,159,651)</u>	<u>(19,970,686)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>901,093</u>	<u>804,090</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>908,831</u>	<u>817,973</u>

Nature of Operations - see Note 1

Event after the Reporting Period - Note 10

These consolidated financial statements were approved for issue by the Board of Directors on March 11, 2022 and are signed on its behalf by:

/s/ Scott Emerson
 Scott Emerson
 Director

/s/ Nick DeMare
 Nick DeMare
 Director

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

KINGSMEN RESOURCES LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Expressed in Canadian Dollars)

	Note	Year Ended December 31.	
		2021 \$	2020 \$
Expenses			
Accounting and administration	6(b)(ii)	15,900	15,900
Audit		10,000	10,250
General exploration		-	5,131
Legal		5,003	13,706
Management fees	6(a)	96,000	96,000
Office		7,732	10,633
Professional fees	6	24,000	34,000
Regulatory		24,090	24,222
Rent		-	10,965
Shareholder costs		1,508	690
Transfer agent		5,003	3,425
Travel and meals		1,256	7,101
		<u>190,492</u>	<u>232,023</u>
Loss before other items		<u>(190,492)</u>	<u>(232,023)</u>
Other items			
Interest income		5,383	7,755
Foreign exchange		(3,856)	(3,647)
Gain on disposition	4	-	316,305
		<u>1,527</u>	<u>320,413</u>
Net income (loss) and comprehensive income (loss) for the year		<u>(188,965)</u>	<u>88,390</u>
Basic and diluted income (loss) per common share		<u>\$(0.01)</u>	<u>\$0.00</u>
Basic and diluted weighted average number of common shares outstanding		<u>25,512,590</u>	<u>24,668,490</u>

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

KINGSMEN RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Year Ended December 31, 2021				
	Share Capital		Share-Based Payment Reserve \$	Deficit \$	Total Shareholders' Equity \$
	Number of Shares	Amount \$			
Balance at December 31, 2020	24,668,490	18,615,138	2,159,638	(19,970,686)	804,090
Common shares issued for:					
- exercise of warrants	3,364,335	285,968	-	-	285,968
Net loss for the year	-	-	-	(188,965)	(188,965)
Balance at December 31, 2021	28,032,825	18,901,106	2,159,638	(20,159,651)	901,093

	Year Ended December 31, 2020				
	Share Capital		Share-Based Payment Reserve \$	Deficit \$	Total Shareholders' Equity \$
	Number of Shares	Amount \$			
Balance at December 31, 2019	24,668,490	18,615,138	2,159,638	(20,059,076)	715,700
Net income for the year	-	-	-	88,390	88,390
Balance at December 31, 2020	24,668,490	18,615,138	2,159,638	(19,970,686)	804,090

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

KINGSMEN RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year Ended December 31,	
	2021	2020
	\$	\$
Operating activities		
Net (loss) income for the year	(188,965)	88,390
Adjustment for:		
Gain on disposition	-	(316,305)
Changes in non-cash working capital items:		
GST receivable	(1,905)	3,303
Amounts receivable	(3,029)	-
Prepaid expenses	(496)	4,502
Accounts payable and accrued liabilities	(6,145)	4,961
Net cash used in operating activities	(200,540)	(215,149)
Investing activity		
Proceeds on disposition	-	316,305
Net cash provided by investing activity	-	316,305
Financing activity		
Issuance of share capital	285,968	-
Net cash provided by financing activity	285,968	-
Net change in cash	85,428	101,156
Cash at beginning of year	806,371	705,215
Cash at end of year	891,799	806,371

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

KINGSMEN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in Canadian Dollars)

1. Nature of Operations

The Company was incorporated on January 11, 2000 under the provisions of the Company Act (British Columbia). The Company's common shares are listed and trade on the TSX Venture Exchange ("TSXV") under the symbol "KNG" and on the OTCQB under the symbol ("KNGRF"). The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia V6E 3V7.

The Company is engaged in the acquisition and exploration of precious metals on mineral properties. On the basis of information to date, the Company has not yet determined whether these properties contain economically recoverable ore reserves. On April 21, 2020 the Company sold an initial 49% interest in the La Trini Property and, effective February 1, 2022, disposed of the remaining 51% interest, as described in Notes 4 and 10. With the sale of the La Trini Property the Company no longer holds any mineral interests.

As at December 31, 2021 the Company had working capital in the amount of \$901,092. These consolidated 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 operations for the foreseeable future. The Company continues to conduct reviews and due diligence on prospective acquisitions and business opportunities. Completion of any acquisition may require the Company to obtain additional financing. Management considers that the Company has adequate resources to maintain its core operations for the next twelve months. The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to develop any properties that it acquires and to establish future profitable production. The Company's operations are funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required.

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. Federal, regional, and local authorities in Canada, the United States, and other nations continue to restrict the ability of people to leave their homes and carry out normal day-to-day activities. These measures will have a significant, negative effect on the economy of all nations for an uncertain period of time. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Company in future periods.

2. Basis of Preparation

Statement of Compliance

These audited consolidated financial statements have been prepared in accordance with *International Financial Reporting Standards* ("IFRS") as issued by the *International Accounting Standards Board* ("IASB") and interpretations of the *IFRS Interpretations Committee* ("IFRIC").

Basis of Measurement

The Company's audited consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value.

Details of the Group

In addition to the Company, the consolidated financial statements include all subsidiaries. Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases.

As at December 31, 2021 the Company held a 51% ownership interest in TMXI Resources S.A. de C.V. ("TMXI"), a company incorporated in Mexico. See also Notes 4 and 10.

KINGSMEN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies

Critical Judgments and Sources of Estimation Uncertainty

The preparation of these consolidated 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 consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- (i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
- (ii) Management is required to assess the functional currency of each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.
- (iii) Management is required to assess impairment in respect of intangible exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.
- (iv) Although the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.
- (v) The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimate of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. Details of these can be found in Note 7.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

- (i) The assessment of any impairment of evaluation and exploration assets is dependent upon estimates of the recoverable amount that take into account factors such as reserves and economic and market conditions.

KINGSMEN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

- (ii) The cost estimates are updated periodically during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities. As at December 31, 2021 and 2020 there were no decommissioning liabilities.

Cash and Cash Equivalents

Cash includes cash on hand and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company is not exposed to significant credit or interest rate risk although cash is held in excess of federally insured limits with a major financial institution. As at December 31, 2021 and 2020 the Company did not have any cash equivalents.

Accounts Payable and Accrued Liabilities

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are classified as other financial liabilities initially at fair value and subsequently measured at amortized cost using the effective interest method.

Exploration and Evaluation Assets

The Company is in the exploration stage with respect to its investment in exploration and evaluation assets and, accordingly, follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties and crediting all proceeds received against the cost of the related properties. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farm-out of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditures are not expected to be recovered, they are charged to the results of operations.

KINGSMEN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

At each financial position reporting date, the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's 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 or cash generating unit 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.

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, so that the increased carrying amount 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.

Decommissioning Provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral interest by or on behalf of the Company. Costs for restoration of site damage which is created on an ongoing basis during exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a pre-tax risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate, the changes to the current market-based discount rate and the amount or timing of the underlying cash flows needed to settle the obligation. As at December 31, 2021 and 2020 the Company does not have any decommissioning obligations.

Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires. All recognized financial assets are measured subsequently at amortized cost or fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVTOCI").

The Company classifies its financial instruments into the following categories:

- (i) Financial assets at FVTP: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of operations. Gains and losses arising from changes in fair value are presented in the consolidated statement of operations within "other gains and losses" in the period in which they arise.

KINGSMEN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

- (ii) Financial assets at FVTOCI: The Company has made an irrevocable election to designate its investments in marketable equity securities as classified at fair value through other comprehensive income. Investment transactions are recognized on the trade date with transaction costs included in the underlying balance. Fair values are determined by reference to quoted market prices at the balance sheet date. When investments in marketable equity securities are disposed of or impaired, the cumulative gains and losses recognized in other comprehensive income are not recycled to profit and loss and remain within equity.
- (iii) Financial assets and liabilities at amortized cost: Financial assets and liabilities at amortized cost include cash and trade payables and are included in current classification due to their short-term nature. Trade receivables and payables are non-interest bearing if paid when due and are recognized at their face amount, less, when material, a discount, except when fair value is materially different. These are subsequently measured at amortized cost.

Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

Equity Financing

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company has adopted the residual value method with respect to the allocation of proceeds received on sale of units to the underlying common shares and share purchase warrants issued as private placement units. The fair value of the common shares issued in private placements is determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached share purchase warrants.

Share-Based Payment Transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the equity settled share-based payments reserve in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees the fair value is measured at grant date and each tranche is recognized separately on a straight line basis over the period during which the share options vest. The fair value of the share options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

Current and Deferred Income Taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income (loss), except to the extent that it relates to items recognized in other comprehensive income (loss) or directly in equity. In this case the income tax is also recognized in other comprehensive income (loss) or directly in equity, respectively.

KINGSMEN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

Current Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the statement of financial position date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Income Tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Loss Per Share

Basic loss per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

Foreign Currency Translation

Functional and Presentation Currency

The financial statements of the Company's subsidiary are prepared in the local currency of its home jurisdiction. Consolidation of the subsidiary includes re-measurement from the local currency to the subsidiary's functional currency. The subsidiary's functional currency, being the currency of the primary economic environment in which the subsidiary operates, is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

Exchange rates published by the Bank of Canada were used to translate the subsidiary financial statements into the consolidated financial statements. Income and expenses for each statement of comprehensive loss presented are translated using the rates prevailing on the transaction dates. All resulting foreign exchange differences are recognized in comprehensive income (loss).

KINGSMEN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in comprehensive income (loss).

Accounting Standards and Interpretations Issued but Not Yet Effective

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)* which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place “at the end of the reporting period”;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement includes transfers to the counter-party of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined. There is currently a proposal outstanding that would defer the effective date until January 1, 2023.

4. Exploration and Evaluation Assets

La Trini, Mexico

The La Trini Property consists of five mineral claims located in the Jalisco silver belt approximately 100 kilometres northwest of Guadalajara, Jalisco State, Mexico.

On April 21, 2020 the Company completed a purchase option agreement, dated April 7, 2020, with GoGold Resources Inc. (“GoGold”), an arm’s length purchaser, whereby the Company sold an initial 49% interest (the “Initial Interest”) in the La Trini Property to GoGold for \$316,305 (US \$225,000). GoGold has the option (the “Option”) to acquire the Company’s remaining 51% interest in the La Trini Property by paying the Company US \$210,000 on or before February 18, 2022, subject to acceleration provisions (the “Option Period”). If GoGold does not exercise the Option within the Option Period then the Company may re-purchase GoGold’s Initial Interest for \$1. Upon the exercise of the Option the Company will retain a 1% net smelter return royalty (“NSR”) on the La Trini Property, which may then be purchased by GoGold for US \$1,000,000. GoGold has agreed to directly fund all expenditures incurred on the La Trini Property and all future costs incurred in TMXI for the duration of the Option Period.

The La Trini Property is also subject to a 1% NSR to the original vendor which may be reduced a 0.5% NSR through a cash payment of US \$1,000,000.

See also Note 10.

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5. Share Capital

(a) ***Authorized Share Capital***

The Company's authorized share capital consists of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) ***Equity Financings***

No equity financings were conducted by the Company during fiscal 2021 or 2020.

(c) ***Warrants***

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at December 31, 2021 and 2020 and the changes for the years ended on those dates is as follows:

	2021		2020	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of year	7,774,114	0.085	11,774,114	0.09
Exercised	(3,364,335)	0.085	-	-
Expired	<u>(4,409,779)</u>	0.085	<u>(4,000,000)</u>	0.10
Balance, end of year	<u>-</u>	-	<u>7,774,114</u>	0.085

As at December 31, 2021 the Company had no warrants outstanding.

(d) ***Share Option Plan***

The Company has established a rolling share option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts in accordance with the policies of the TSXV. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of ten years.

The Company did not grant any share options during the years ended December 31, 2021 and 2020 and, as of December 31, 2021, the Company had no share options outstanding.

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6. Related Party Disclosures

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) of the Company.

(a) *Key Management Personnel Disclosures*

During fiscal 2021 and 2020 the following amounts were incurred with respect to the CEO and CFO of the Company:

	2021 \$	2020 \$
Management fees - CEO	96,000	96,000
Professional fees - CFO	<u>6,000</u>	<u>6,000</u>
	<u>102,000</u>	<u>102,000</u>

As at December 31, 2021, \$nil (2020 - \$8,000) remained unpaid and has been included in accounts payable and accrued liabilities.

(b) *Other Related Party Disclosures*

(i) During fiscal 2021 and 2020 the following amounts were incurred with respect to non-management directors and the corporate secretary of the Company:

	2021 \$	2020 \$
Professional fees	<u>18,000</u>	<u>18,000</u>

(ii) During fiscal 2021 the Company incurred a total of \$15,900 (2020 - \$15,900) to Chase Management Ltd. (“Chase”), a private corporation owned by the CFO of the Company, for accounting and administration services provided by Chase personnel, excluding the CFO. As at December 31, 2021 \$1,700 (2020 - \$2,500) remained unpaid and has been included in accounts payable and accrued liabilities.

7. Income Taxes

Deferred income tax assets and liabilities of the Company as at December 31, 2021 and 2020 are as follows:

	2021 \$	2020 \$
Deferred income tax assets		
Non-capital losses	1,994,800	1,982,900
Capital losses	536,900	536,900
Share issue costs	2,600	4,200
Mineral resource interests	<u>699,900</u>	<u>693,700</u>
	3,234,200	3,217,700
Valuation allowance	<u>(3,234,200)</u>	<u>(3,217,700)</u>
Net deferred income tax asset	<u>-</u>	<u>-</u>

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7. Income Taxes (continued)

The recovery of income taxes shown in the consolidated statements comprehensive income (loss) and deficit differs from the amounts obtained by applying substantively enacted statutory rates to the income (loss) before provision for income taxes due to the following:

	2021	2020
Combined federal and provincial income tax rate	<u>27.0%</u>	<u>27.0%</u>
	2021	2020
	\$	\$
Expected income tax expense (recovery)	(51,000)	23,900
Foreign income tax rate differences	-	(100)
Other	(1,500)	(44,200)
Unrecognized benefit of income tax losses	<u>52,500</u>	<u>20,400</u>
Actual income tax expense (recovery)	<u>-</u>	<u>-</u>

As at December 31, 2021, the Company has non-capital losses of approximately \$5,160,000 (2020 - \$4,968,950), capital losses of approximately \$3,976,700 (2020 - \$3,976,700) and accumulated pools of approximately \$2,532,500 (2020 - \$2,538,500) for Canadian income tax purposes to offset against future income. The non-capital losses expire commencing 2026 to 2041. The capital losses can be carried forward indefinitely.

The Company also has non-capital losses of approximately \$2,148,500 (2020 - \$2,290,500) for Mexican income tax purposes.

Income tax benefits which may arise as a result of these losses have not been recognized in the financial statements as their realization is unlikely.

8. Segmented Information

The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results. The Company's total assets are segmented geographically as follows:

	<u>As at December 31, 2021</u>		
	Canada	Mexico	Total
	\$	\$	\$
Current assets	906,568	2,262	908,830
Exploration and evaluation assets	<u>-</u>	<u>1</u>	<u>1</u>
	<u>906,568</u>	<u>2,263</u>	<u>908,831</u>
	<u>As at December 31, 2020</u>		
	Canada	Mexico	Total
	\$	\$	\$
Current assets	815,985	1,987	817,972
Exploration and evaluation assets	<u>-</u>	<u>1</u>	<u>1</u>
	<u>815,985</u>	<u>1,988</u>	<u>817,973</u>

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9. Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: fair value through profit or loss (“FVTPL”); amortized cost; and fair value through other comprehensive (loss) income. The carrying values of the Company’s financial instruments are classified into the following categories:

Financial Instrument	Category	December 31, 2021	December 31, 2020
		\$	\$
Cash	FVTPL	891,799	806,371
Amount receivable	Amortized cost	3,029	-
Accounts payable and accrued liabilities	Amortized cost	(7,738)	(13,883)

The Company’s financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amount for amount receivable, accounts payable and accrued liabilities approximate its fair value due to the short-term nature. The Company’s fair value of cash under the fair value hierarchy are measured using Level 1 inputs.

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

Credit Risk

Credit risk is the risk of loss associated with a counter-party’s inability to fulfill its payment obligations. The Company’s credit risk is primarily attributable to cash. Management believes that the credit risk concentration with respect to financial instruments included in cash is remote.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company’s financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

	Contractual Maturity Analysis at December 31, 2021				
	Less than 3 Months	3 - 12 Months	1 - 5 Years	Over 5 Years	Total
	\$	\$	\$	\$	\$
Cash	891,799	-	-	-	891,799
Amount receivable	3,029	-	-	-	3,029
Accounts payable and accrued liabilities	(7,739)	-	-	-	(7,739)

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9. Financial Instruments and Risk Management (continued)

	Contractual Maturity Analysis at December 31, 2020				
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	806,371	-	-	-	806,371
Accounts payable and accrued liabilities	(13,883)	-	-	-	(13,883)

Market Risk

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

Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash bears floating rates of interest. The interest rate risk on cash and on the Company's obligations are not considered significant.

Foreign Currency Risk

The Company has operations in Mexico subject to foreign currency fluctuations. The Company's operating expenses are incurred in Canadian Dollars and Mexican Pesos. The fluctuation of the Canadian Dollar in relation to the Mexican Peso will have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company also maintains a US Dollar bank account with its Canadian bank. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks. At December 31, 2021, 1 Canadian Dollar was equal to 16.13 Mexican Pesos and 0.79 US Dollar.

Balances are as follows:

	Mexican Pesos	US Dollars	CDN \$ Equivalent
Cash	36,495	41,389	54,654
Amounts receivable	48,870	-	3,029
Accounts payable and accrued liabilities	<u>(47,303)</u>	<u>-</u>	<u>(2,933)</u>
	<u>38,062</u>	<u>41,389</u>	<u>54,751</u>

Based on the net exposures as of December 31, 2021 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the Mexican Peso and the US Dollar would result in the Company's net income or loss being approximately \$5,500 higher (or lower).

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of exploration and evaluation assets. 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 development of the business. The Company defines capital that it manages as share capital. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels 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.

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10. Event after the Reporting Period

On January 19, 2022 GoGold notified the Company of its election to exercise the Option and, effective February 1, 2022, the Company completed the disposition of its remaining 51% interest in the La Trini Property and received US \$210,000.