

PAN GLOBAL

RESOURCES INC

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian dollars)

For the three and nine months ended October 31, 2023

NOTICE TO READER

The accompanying unaudited condensed consolidated interim financial statements of Pan Global Resources Inc. for the nine months ended October 31, 2023 and 2022 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These condensed consolidated interim financial statements have not been reviewed by the Company's external auditors.

PAN GLOBAL RESOURCES INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

AS AT OCTOBER 31 AND JANUARY 31, 2023

(Unaudited - Expressed in thousands of Canadian dollars unless otherwise noted)

	October 31, 2023	January 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents (Note 3)	\$ 6,854	\$ 6,862
Short-term investment (Note 3)	-	2,000
Receivables (Note 4)	381	397
Prepaid expenses	96	264
Total current assets	7,331	9,523
Non-current assets		
Exploration and evaluation assets (Note 5)	2,694	2,694
Reclamation deposits (Note 6)	119	30
Total non-current assets	2,813	2,724
TOTAL ASSETS	\$ 10,144	\$ 12,247
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 7 & 9)	\$ 946	\$ 1,237
Total liabilities	946	1,237
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	52,251	47,070
Reserves (Note 9)	8,646	7,055
Accumulated deficit	(51,699)	(43,115)
Total shareholders' equity	9,198	11,010
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 10,144	\$ 12,247

Nature of operations and going concern (Note 1)

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors on December 11, 2023.

Approved on behalf of the Board of Directors

 "Robert Parsons" Director "Patrick Evans" Director

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

PAN GLOBAL RESOURCES INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

FOR THE THREE AND NINE MONTHS ENDED OCTOBER 31, 2023 AND 2022

(Unaudited - Expressed in thousands of Canadian dollars unless otherwise noted, except share and per share amounts)

	Three months ended		Nine months ended	
	October 31,		October 31,	
	2023	2022	2023	2022
Exploration expenditures (Note 5 & 9)	\$ 1,725	\$ 1,833	\$ 6,163	\$ 5,757
General and administrative expenses				
Accounting, tax, and audit	22	42	57	60
Consulting fees	12	8	61	137
Depreciation	-	2	-	7
Directors' fees (Note 9)	31	-	87	43
Investor relations	193	196	545	337
Legal Fees (Note 9)	14	20	48	81
Management fees (Note 9)	99	126	296	213
Office and rent	30	27	103	68
Regulatory and transfer agent	11	4	129	65
Share-based compensation (Note 8 & 9)	261	122	1,023	131
Travel and related	27	10	122	71
	700	557	2,471	1,213
Loss from operations	(2,425)	(2,390)	(8,364)	(6,970)
Interest income	-	61	52	93
Foreign exchange and other	4	19	(2)	(263)
LOSS AND COMPREHENSIVE LOSS	\$ (2,421)	\$ (2,310)	\$ (8,584)	\$ (7,140)
Loss per common shares - basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.04)	\$ (0.03)
Weighted average number of common shares - basic and diluted	212,394,500	209,658,056	212,347,797	207,974,552

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

PAN GLOBAL RESOURCES INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED OCTOBER 31, 2023 AND 2022

(Unaudited - Expressed in thousands of Canadian dollars unless otherwise noted)

	Nine months ended	
	October 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (8,584)	\$ (7,140)
Items not affecting cash and cash equivalents:		
Depreciation	-	7
Share-based compensation	1,023	131
Interest income	(52)	(93)
Unrealized foreign exchange effect	(1)	2
Changes in non-cash working capital items:		
Receivables	(16)	81
Prepaid expenses	168	38
Accounts payable and accrued liabilities	(291)	107
Net cash used in operating activities	(7,753)	(6,867)
CASH FLOWS FROM INVESTING ACTIVITIES		
Short-term investment	2,000	-
Interest earned	84	93
Reclamation deposits	(88)	(40)
Net cash used in investing activities	1,996	53
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placement financing	6,070	-
Exercise of stock options	46	-
Exercise of warrants	-	2,532
Share issue costs	(367)	(5)
Lease payments	-	(7)
Net cash provided by financing activities	5,749	2,520
Change during the period	(8)	(4,294)
Cash and cash equivalents, beginning of period	6,862	15,499
Cash and cash equivalents, end of period	\$ 6,854	\$ 11,205
Supplemental disclosure		
Interest and income tax paid	\$ -	\$ -
Reallocation from reserves on warrant and stock option exercise	\$ 39	\$ 232

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

PAN GLOBAL RESOURCES INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED OCTOBER 31, 2023 AND 2022**

(Unaudited - Expressed in thousands of Canadian dollars unless otherwise noted, except share amounts)

	Number of common shares	Share capital	Reserves	Accumulated deficit	Total
Balance, January 31, 2022	203,101,114	\$ 43,684	\$ 7,421	\$ (32,962)	\$ 18,143
Share issue costs	-	(5)	-	-	(5)
Exercise of warrants (Note 8)	9,043,386	3,931	(858)	-	2,532
Share-based compensation	-	-	131	-	131
Loss for the period	-	-	-	(7,140)	(7,140)
Balance, October 31, 2022	212,144,500	47,070	6,694	(40,103)	13,661
Balance, January 31, 2023	212,144,500	\$ 47,070	\$ 7,055	\$ (43,115)	\$ 11,010
Private placement	30,350,000	5,463	607	-	6,070
Share issue costs	-	(367)	-	-	(367)
Exercise of options (Note 8)	250,000	85	(39)	-	46
Share-based compensation	-	-	1,023	-	1,023
Loss for the period	-	-	-	(8,585)	(8,585)
Balance, October 31, 2023	242,744,500	\$ 52,251	\$ 8,646	\$ (51,700)	\$ 9,198

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

PAN GLOBAL RESOURCES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian dollars unless otherwise noted, tabular amounts are expressed in thousands of Canadian dollars, except share and per share amounts)

1. NATURE OF OPERATIONS

Pan Global Resources Inc. (hereafter referred to as the “Company”) was incorporated under the laws of the Province of British Columbia and was established as a legal entity on February 1, 2006.

The Company’s principal business activities are the acquisition of rights to explore for minerals and the exploration of acquired rights. The Company is primarily focused on the early-stage exploration through to development of resources of copper, tin, and other metals in Spain.

The Company’s common shares are listed on the TSX Venture Exchange (“TSX-V”) under the trading symbol “PGZ”. The Company’s principal office is located at 1150 - 355 Burrard Street, Vancouver, British Columbia, V6C 2G8.

These condensed consolidated interim financial statements do not include any adjustments to amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from the carrying values shown and these condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. The Company’s continuing operations and the ability of the Company to meet mineral property and other commitments may be dependent upon the ability of the Company to continue to raise additional equity or debt financing and to seek joint venture partners. At the date of these condensed consolidated interim financial statements, the Company has not identified a known body of commercial-grade mineral on any of its properties. The Company has not achieved profitable operations and has accumulated losses since inception. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation and Measurement

The condensed consolidated interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards (“IFRS”) as issued by International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These condensed consolidated interim financial statements have been prepared on a historical cost basis. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the most recent annual audited consolidated financial statements and should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended January 31, 2023.

PAN GLOBAL RESOURCES INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars unless otherwise noted, tabular amounts are expressed in thousands of Canadian dollars, except share and per share amounts)

3. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENT

	October 31, 2023	January 31, 2023
Cash	\$ 6,825	\$ 3,112
Cash equivalents	29	3,750
	\$ 6,854	\$ 6,862

As at January 31, 2023, short-term investment consisted of a \$2.0 million guaranteed investment certificate with an effective interest rate of 3.20% maturing June 2023. During the nine months ended October 31, 2023, this was redeemed early and re-invested into a higher interest short-term GIC with maturity less than 90 days.

4. RECEIVABLES

The Company's receivables consist of the following:

	October 31, 2023	January 31, 2023
GST recoverable	\$ 28	\$ 218
VAT recoverable	352	109
Interest receivable	1	70
	\$ 381	\$ 397

5. EXPLORATION AND EVALUATION ASSETS**Exploration and Evaluation Assets**

	October 31, 2023	Change	January 31, 2023
Escacena Project, Spain	\$ 795	\$ -	\$ 795
Aguilas Project, Spain	1,465	-	1,465
Aguilas Project, Spain - advance	434	-	434
	\$ 2,694	\$ -	\$ 2,694

Escacena Project, Spain

In December 2018, EVALAM 2003 S.L. ("EVALAM") was granted the Escacena Investigation Permit located in the Iberian Pyrite Belt in southern Spain, which is the subject of an agreement between EVALAM and the Company, which had an option to acquire 100% of the Escacena Investigation Permit for the following consideration: (a) \$350,000 in cash (paid) and (b) \$1,000,000 in exploration work commitments over a three-year period (spent). The Company exercised its option to acquire the permit. EVALAM retains a net smelter return ("NSR") of 0.5% on the first 12,500 tonnes of copper equivalent and 0.75% on any amount in excess of 12,500 tonnes of copper equivalent. The NSR has a lifetime cap of \$5,000,000.

During the year ended January 31, 2021, the Company completed the acquisition of the rights to the Al Andalus Investigation Permit, covering an area adjacent to the Company's Escacena Project, for aggregate cash payments totaling €300,000 or (\$444,621).

PAN GLOBAL RESOURCES INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars unless otherwise noted, tabular amounts are expressed in thousands of Canadian dollars, except share and per share amounts)

5. EXPLORATION AND EVALUATION ASSETS (cont'd...)*Aguilas Project, Spain*

In August 2020, the Company completed the acquisition of MASL, a Spanish exploration company, from a related party, which had been granted mineral exploration licenses, and applied for the issuance of additional mineral exploration licenses in the Provinces of Cordoba and Ciudad Real, Spain, collectively referred to as the "Aguilas Project". In January 2022, the Company made an advance payment of €363,000 (or \$516,469) for the acquisition of additional permits, where the closing is subject to approval from the mining authorities.

Exploration Expenditures

Nine months ended October 31, 2023	Escacena	Aguilas	Total
Drilling	\$ 2,482	\$ 12	\$ 2,494
License fees	287	-	287
Professional fees and field office	404	68	472
Technical consulting	57	56	113
Technical services	2,658	57	2,715
Travel and other	64	18	82
	\$ 5,952	\$ 211	\$ 6,163

Nine months ended October 31, 2022	Escacena	Aguilas	Total
Drilling	\$ 2,072	\$ 322	\$ 2,394
License fees	317	43	360
Professional fees and field office	415	76	491
Technical consulting	56	56	112
Technical services	2,230	105	2,335
Travel and other	51	14	65
	\$ 5,141	\$ 616	\$ 5,757

6. RECLAMATION DEPOSITS

As at October 31, 2023, the Company held reclamation deposits totaling \$119,160 or €81,100 (January 31, 2023 - \$29,864 or €20,566) in connection to the exploration and investigation permits in Spain.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities consist of the following:

	October 31, 2023	January 31, 2023
Accounts payable	\$ 898	\$ 696
Accrued liabilities	48	541
	\$ 946	\$ 1,237

PAN GLOBAL RESOURCES INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars unless otherwise noted, tabular amounts are expressed in thousands of Canadian dollars, except share and per share amounts)

8. SHARE CAPITAL**Authorized Share Capital**

Authorized share capital consists of:

- unlimited number of common shares without par value
- unlimited class "A" common shares with a par value of \$1 per share
- unlimited class "B" common shares with a par value of \$5 per share

In October 2023, the Company completed a non-brokered private placement issuing 30,350,000 units at a price of \$0.20 per unit for aggregate gross proceeds of \$6,070,000, where each unit is comprised of one common share and one share purchase warrant, where each full warrant is exercisable at \$0.30 per share for three years. The Company paid finders' fees of \$232,096. In accordance with the Company's accounting policy, \$607,000 of the gross proceeds were allocated to its reserves.

During the nine months ended October 31, 2023, the Company issued Nil and 250,000 (2022 - 9,043,386 and Nil) common shares on the exercise of warrants and stock options for proceeds of \$Nil and \$45,500 (2022 - \$2,532,148 and \$Nil), respectively. In addition, the Company reallocated \$Nil and \$39,099 (2022 - \$585,384 and \$Nil) from reserves for exercise of warrants and stock options, respectively.

Stock Options

The movements in stock options for the nine months ended October 31, 2023 and year ended January 31, 2023 are summarized as follows:

	Number	Weighted average exercise price
Balance, January 31, 2023	13,080,000	\$ 0.32
Granted	3,510,000	0.44
Expired/cancelled	(20,000)	0.60
Balance, January 31, 2023	16,570,000	\$ 0.35
Granted	500,000	0.35
Exercised	(250,000)	0.18
Expired/cancelled	(70,000)	0.60
Balance, October 31, 2023	16,750,000	\$ 0.35

PAN GLOBAL RESOURCES INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars unless otherwise noted, tabular amounts are expressed in thousands of Canadian dollars, except share and per share amounts)

8. SHARE CAPITAL (cont'd...)**Stock options (cont'd...)**

Aa at October 31, 2023, the weighted average remaining life of the stock options outstanding was 5.55 (January 31, 2023 - 6.33) years and the Company's outstanding stock options are as follows:

Expiry date	Exercise price	Outstanding	Exercisable
April 18, 2027	\$ 0.10	1,760,000	1,760,000
July 5, 2027	\$ 0.40	250,000	125,000
August 16, 2027	\$ 0.47	750,000	500,000
November 7, 2027	\$ 0.405	350,000	-
December 1, 2027	\$ 0.20	2,150,000	2,150,000
January 30, 2028	\$ 0.44	2,160,000	540,000
May 25, 2028	\$ 0.35	500,000	-
June 20, 2028	\$ 0.215	125,000	125,000
April 16, 2029	\$ 0.10	1,405,000	1,405,000
July 31, 2030	\$ 0.31	3,600,000	3,600,000
August 31, 2031	\$ 0.60	3,700,000	3,700,000
		16,750,000	13,905,000

Restricted Share Units

The movements in restricted share units ("RSUs") for the nine months ended October 31, 2023 and year ended January 31, 2023 are summarized as follows:

	Number
Balance, January 31, 2022	-
Granted	850,000
Balance, January 31, 2023	850,000
Granted	-
Balance, October 31, 2023	850,000

Deferred Share Units

The movements in deferred share units ("DSUs") for the nine months ended October 31, 2023 and year ended January 31, 2023 are summarized as follows:

	Number
Balance, January 31, 2022	-
Granted	650,000
Balance, January 31, 2023	650,000
Granted	-
Balance, October 31, 2023	650,000

PAN GLOBAL RESOURCES INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars unless otherwise noted, tabular amounts are expressed in thousands of Canadian dollars, except share and per share amounts)

8. SHARE CAPITAL (cont'd...)**Warrants**

The movements in warrants for the nine months ended October 31, 2023 and year ended January 31, 2023 are summarized as follows:

	Number	Weighted average exercise price
Balance, January 31, 2023 and 2022	-	\$ -
Issued	30,350,000	0.30
Balance, October 31, 2023	30,350,000	\$ 0.30

As at October 31, 2023, the weighted average remaining life of the stock options outstanding was 3.00 years and the Company's outstanding warrants are as follows:

Expiry date	Exercise price	Outstanding
October 31, 2026	\$ 0.30	30,350,000
		30,350,000

Share-based Compensation

In May 2023, the Company granted 500,000 stock options to a director of the Company with an exercise price of \$0.35 per option with an expiry date of May 25, 2028.

In July 2022, the Company granted 250,000 stock options to a consultant of the Company with an exercise price of \$0.40 per option with an expiry date of July 5, 2027.

Using the fair value method for share-based payments, the Company determined the weighted average fair value of the options granted to be \$142,864 or \$0.29 (2022 - \$80,304 or \$0.32) per option using the Black-Scholes option pricing model with weighted average assumptions as follows:

For the nine months ended	October 31, 2023	October 31, 2022
Risk-free interest rate	3.52%	2.95%
Expected dividend yield	0%	0%
Expected stock price volatility	114%	118%
Expected life in years	5	5
Forfeiture rate	0%	0%

The associated compensation cost for RSUs and DSUs, which is based on the underlying share price on the date of grant, is recorded as share-based compensation.

In accordance with the vesting terms of stock options, RSUs, and DSUs granted, the Company recorded share-based compensation of \$671,915, \$195,928, and \$154,711 (2022 - \$112,934, \$17,749, and \$Nil), respectively, with offsetting credits to reserves during the nine months ended October 31, 2023.

PAN GLOBAL RESOURCES INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars unless otherwise noted, tabular amounts are expressed in thousands of Canadian dollars, except share and per share amounts)

9. RELATED PARTY TRANSACTIONS

The aggregate value of transactions relating to directors and key management personnel, including the Company's President & Chief Executive Officer, Chief Financial Officer, and Corporate Secretary, were as follows:

For the nine months ended	October 31, 2023	October 31, 2022
Directors' fees	\$ 87	\$ 43
Management fees	296	213
Legal fees	40	81
E&E Expenditures	113	113
Share-based compensation	669	91
	\$ 1,205	\$ 542

As at October 31, 2023, there was \$Nil (January 31, 2023 - \$7,000) payable to related parties and \$Nil (January 31, 2023 - \$36,000) payable to the former CFO, which are included in accounts payables and accrued liabilities.

10. SEGMENTED INFORMATION

The Company operates in a single reportable operating segment, being the exploration and evaluation of mineral properties. Geographic information about the Company's non-current assets, as at October 31, 2023 is as follows: Spain - \$2,812,335 (January 31, 2023 - \$2,724,039); Canada - \$Nil (January 31, 2023 - \$Nil).

11. FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows:

	October 31, 2023	January 31, 2023
Financial assets - amortized costs:		
Cash and cash equivalents	\$ 6,854	\$ 6,862
Short-term investments	-	2,000
Receivables	1	70
Reclamation deposits	119	30
Financial liabilities - amortized costs:		
Accounts payable and accrued liabilities	\$ (946)	\$ (1,237)

Fair Value

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- a) Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- b) Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- c) Level 3 - Inputs for assets and liabilities that are not based on observable market data.

PAN GLOBAL RESOURCES INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars unless otherwise noted, tabular amounts are expressed in thousands of Canadian dollars, except share and per share amounts)

11. FINANCIAL INSTRUMENTS (cont'd...)**Fair Value (cont'd...)**

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The carrying value of cash and cash equivalents, interest receivable, reclamation deposits, and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

Risk and Capital Management

The Company's capital includes share capital and the cumulative deficit. The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company may issue new shares in order to meet its financial obligations. There was no change in the Company's approach to managing capital during the nine months ended October 31, 2023. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's activities expose it to a variety of financial risks, market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. This note presents information about the Company's exposure to each of these risks, the Company's objectives and processes for measuring and managing risk, and the Company's management of capital. The Company is not subject to any externally imposed capital restrictions.

Credit Risk

Credit risk arises from cash and deposits with banks, as well as credit exposure on outstanding receivables and committed transactions. The Company's cash deposits are primarily held with a Canadian chartered bank. The Company's receivables exposure relates to amounts due from the governments of Canada and Spain pursuant to goods and services tax and VAT credits.

Interest Rate Risk

As the Company's interest-bearing assets do not have significant interest rates, the Company's income and operating cash flows are not significantly affected by changes in market interest rates.

Currency Risk

The Company has identified its functional currency as the Canadian dollar. Certain of the Company's exploration expenditures have been incurred in Euros and United States dollars ("USD"). The Company's exposure to foreign currency risk arises primarily on fluctuations between the Canadian dollar and those currencies. The Company has not entered into any derivative instruments to manage foreign exchange fluctuations. Management believes the foreign exchange risk related to currency conversions is minimal.

PAN GLOBAL RESOURCES INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian dollars unless otherwise noted, tabular amounts are expressed in thousands of Canadian dollars, except share and per share amounts)

11. FINANCIAL INSTRUMENTS (cont'd...)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on the issuance of shares and warrants to fund exploration programs and will require doing so again in the future.