

Trailbreaker Resources Ltd. (formerly Goldstrike Resources Ltd.)
Consolidated Financial Statements
Nine months ended September 30, 2022

(Expressed in Canadian Dollars)

(Unaudited)

The accompanying unaudited interim consolidated financial statements of Trailbreaker Resources Ltd. for the nine months ended September 30, 2022, have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These interim financial statements have not been reviewed by the Company's external auditor.

Trailbreaker Resources Ltd. (formerly Goldstrike Resources Ltd.)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

| | Notes | September 30, 2022 | December 31, 2021 |
|--|-------|---------------------|---------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | \$ 656,106 | \$ 1,359,576 |
| Accounts receivable | 3 | 75,954 | 25,522 |
| Prepaid expenses and deposits | 4 | 32,643 | 24,386 |
| | | 764,703 | 1,409,484 |
| Non-current assets | | | |
| Restricted cash | | 77,000 | 201,400 |
| Marketable securities | 6 | 132,005 | 290,932 |
| Equipment | | 621 | 951 |
| Exploration and evaluation assets | 5 | 4,063,760 | 3,260,789 |
| TOTAL ASSETS | | \$ 5,038,089 | \$ 5,163,556 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade payables and accrued liabilities | 8 | \$ 206,380 | \$ 242,983 |
| Decommissioning liability | 11 | 19,396 | 22,100 |
| TOTAL LIABILITIES | | 225,776 | 265,083 |
| EQUITY | | | |
| Share capital | 9 | 49,337,843 | 49,291,293 |
| Share-based payment reserves | 9 | 18,971,290 | 18,801,997 |
| Equity reserve | | 1,195,608 | 1,195,608 |
| Accumulated other comprehensive loss | | (189,399) | (71,733) |
| Deficit | | (64,496,243) | (64,318,692) |
| TOTAL EQUITY | | 4,812,313 | 4,898,473 |
| TOTAL LIABILITIES AND EQUITY | | \$ 5,038,089 | \$ 5,163,556 |

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Note 16)

Approved on Behalf of the Board on November 29, 2022

``Lucy Zhang``
Director

``Daithi Mac Gearailt``
Director

Trailbreaker Resources Ltd. (formerly Goldstrike Resources Ltd.)
Consolidated Statements of Comprehensive Income (Loss)
(Expressed in Canadian dollars)

| | Note | Three months ended September 30, | | Nine months ended September 30, | |
|--|------|-------------------------------------|--------------|------------------------------------|--------------|
| | | 2022 | 2021 | 2022 | 2021 |
| Expenses | | | | | |
| Amortization | | \$ 92 | \$ 187 | \$ 331 | \$ 686 |
| Corporate development and communication | | - | - | - | 2,400 |
| Listing and filing fees | | 4,373 | 2,500 | 19,553 | 22,155 |
| Management fees | | 53,900 | 53,750 | 155,700 | 146,750 |
| Investor relations | | (327) | - | 16,223 | - |
| Office and miscellaneous | | 24,111 | 33,411 | 75,740 | 96,185 |
| Professional fees | | 22,519 | 36,939 | 90,262 | 135,920 |
| Rent | | - | 602 | - | (2,519) |
| Stock-based compensation | | 0.00 | 6,830 | 169,293 | 83,568 |
| | | (104,668) | (134,219) | (527,102) | (485,145) |
| Other items | | | | | |
| Due diligence for mineral interests | | - | 46,126 | (25,000) | 46,126 |
| Foreign exchange | | 15 | (9) | - | 50 |
| Gain on sale of investments in marketable securities | | (6,786) | (21,809) | (6,786) | (47,739) |
| Income from government grant | | - | - | - | (100,000) |
| Interest income | | (2) | 82 | (643) | (2,391) |
| Impairment of exploration and evaluation assets | | - | 26,237 | 6,401 | 26,237 |
| Impairment of petroleum and natural gas assets | | (7,003) | 897 | (7,003) | 29,634 |
| Miscellaneous income | | (300,103) | (21,978) | (302,563) | (25,376) |
| Royalty income | | (11,692) | (6,479) | (13,957) | (16,989) |
| Total other income (expenses) | | 325,571 | (23,067) | 349,551 | 90,448 |
| Net income (loss) | | \$ 220,903 | \$ (157,286) | \$ (177,551) | \$ (394,697) |
| Other comprehensive loss | | | | | |
| Unrealized (loss) gain on investments in marketable securities | 6 | 30,001 | (30,435) | (124,452) | 13,600 |
| Comprehensive income (loss) for the period | | \$ 250,904 | \$ (187,721) | \$ (302,003) | \$ (381,097) |
| Loss per share, basic and diluted | | \$ 0.02 | \$ (0.01) | \$ (0.02) | \$ (0.03) |
| Weighted average number of common shares outstanding, basic and diluted | | 12,709,614 | 12,741,750 | 12,709,614 | 10,963,478 |

Trailbreaker Resources Ltd. (formerly Goldstrike Resources Ltd.)
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

| | Share capital | | Equity Reserve | Share-based Payment Reserve | Accumulated Other comprehensive loss | Deficit | Total |
|---|---------------------|---------------|----------------|-----------------------------------|---|-----------------|--------------|
| | Number of shares | Amount | | | | | |
| Balance at January 1, 2022 | 12,524,614 | \$ 49,291,293 | \$ 1,195,608 | \$ 18,801,997 | \$ (71,733) | \$ (64,318,692) | \$ 4,898,473 |
| Shares issued pursuant to property agreements | 185,000 | 46,550 | - | - | - | - | 46,550 |
| Stock-based compensation | - | - | - | 169,293 | - | - | 169,293 |
| Comprehensive loss for the period | - | - | - | - | (124,452) | (177,551) | (302,003) |
| Balance at September 30, 2022 | 12,709,614 | \$ 49,337,843 | \$ 1,195,608 | \$ 18,971,290 | \$ (196,185) | \$ (64,496,243) | \$ 4,812,313 |

| | Share capital | | Equity Reserve | Share-based Payment Reserve | Accumulated Other comprehensive loss | Deficit | Total |
|--|---------------------|---------------|----------------|-----------------------------------|---|-----------------|--------------|
| | Number of shares | Amount | | | | | |
| Balance at January 1, 2021 | 9,517,150 | \$ 48,537,360 | \$ 1,195,608 | \$ 18,711,981 | \$ (73,166) | \$ (64,590,664) | \$ 3,781,119 |
| Shares issued for private placement, net issuance cost | 3,224,600 | 996,493 | - | - | - | - | 996,493 |
| Stock-based compensation | - | - | - | 83,568.00 | - | - | 83,568 |
| Comprehensive loss for the period | - | - | - | - | 13,600 | (394,697) | (381,097) |
| Balance at September 30, 2021 | 12,741,750 | \$ 49,533,853 | \$ 1,195,608 | \$ 18,795,549 | \$ (59,566) | \$ (64,985,361) | \$ 4,480,083 |

See accompanying notes to the consolidated financial statements

Trailbreaker Resources Ltd. (formerly Goldstrike Resources Ltd.)
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

| | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------------------------------|---------------------|------------------------------------|---------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Operating activities | | | | |
| Net loss for the period | \$ 220,903 | \$ (157,286) | \$ (177,551) | \$ (394,697) |
| Adjustments for non-cash items: | | | | |
| Amortization | 92 | 187 | 330 | 686 |
| Stock-based compensation | - | 6,830 | 169,293 | 83,568 |
| Impairment of exploration and evaluation assets | 12,802 | 26,237 | 6,401 | 26,237 |
| Impairment of petroleum and natural gas assets | (7,003) | - | (7,003) | 28,737 |
| Gain on sale of marketable securities | (6,786) | (21,809) | (6,786) | (47,739) |
| Income from government grant | - | - | - | (100,000) |
| Changes in non-cash working capital: | | | | |
| Accounts Receivable | (48,874) | (2,463) | (52,673) | (24,031) |
| Prepaid expenses and deposits | (4,703) | (37,421) | (8,257) | (19,147) |
| Trade payables and accrued liabilities | (35,967) | 61,812 | (36,602) | 25,126 |
| Net cash flows used in operating activities | 130,464 | (123,913) | (112,848) | (421,260) |
| Investing activities | | | | |
| Exploration and evaluation assets | (412,817) | (716,243) | (762,822) | (841,648) |
| Petroleum and natural gas assets | 7,003 | - | 7,003 | (29,210) |
| Reclamation costs | - | (19,233) | (463) | (27,244) |
| Net proceeds on sale of marketable securities | 41,260 | 52,004 | 41,260 | 135,189 |
| Net cash flows used in investing activities | (364,554) | (683,472) | (715,022) | (762,913) |
| Financing activities | | | | |
| Private placement, net of issuance costs | - | - | - | 996,493 |
| Changes in restricted cash | (30,000) | 62,300 | 124,400 | 62,300 |
| Net cash flows used in financing activities | (30,000) | 62,300 | 124,400 | 1,058,793 |
| Decrease in cash and cash equivalents | (264,090) | (745,085) | (703,470) | (125,380) |
| Cash and cash equivalents, beginning | 920,196 | 2,317,817 | 1,359,576 | 1,698,112 |
| Cash and cash equivalents, ending | \$ 656,106 | \$ 1,572,732 | \$ 656,106 | \$ 1,572,732 |
| Cash and cash equivalents consist of: | | | | |
| Cash | \$ 656,106 | \$ 1,572,732 | \$ 656,106 | \$ 1,572,732 |
| | \$ 656,106 | \$ 1,572,732 | \$ 656,106 | \$ 1,572,732 |

1. Nature of operations and going concern

Trailbreaker Resources Ltd. (formerly Goldstrike Resources Ltd.) (the “Company”) was incorporated under the laws of the province of British Columbia, Canada. The Company trades on the TSV Venture Exchange (the “TSX-V”) under the symbol “TBK.V”, and the Frankfurt Stock Exchange under the symbol “KCG”. The registered office of the Company is located at Suite 2110, 650 West Georgia Street, Vancouver, B.C.

The Company is a mineral exploration company focusing on acquiring and developing exploration and evaluation assets.

These consolidated financial statements have been prepared in accordance with accounting principles applicable to a going concern. The Company has no current source of revenues from operations. The Company’s continuation as a going concern is dependent upon the successful results from its exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt as to the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand and the private placement of common shares. Should the Company be unable to continue as a going concern, the net realizable value of its assets may materially less than the amounts on its statement of financial position.

2. Significant accounting policies and basis of preparation

The consolidated financial statements were authorized for issuance on November 29, 2022 by the directors of the Company.

Statement of compliance with IFRS

The condensed interim 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 International Financial Reporting Interpretations Committee (“IFRIC”).

The notes presented in these condensed consolidated interim financial statements include only significant events and transactions occurring since the Company’s last fiscal year end and they do not include all of the information required in the Company’s most recent annual consolidated financial statements. These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the Company’s annual financial statements and should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2021, which were prepared in accordance with IFRS as issued by IASB. There have been no changes in judgment or estimates from those disclosed in the consolidated financial statements for the year ended December 31, 2021.

Basis of measurement

These consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars, except otherwise indicated. The financial currency of each entity is measured using the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiary is the Canadian dollar.

2. Significant accounting policies and basis of preparation (Continued)

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary. The subsidiary is fully consolidated from the date of acquisition, being the date on which the Company obtains control and continues to be consolidated until the date such control ceases. Details of the controlled entity are as follows:

| Entity: | Country of incorporation: | Ownership interest | |
|------------------------|---------------------------|--------------------|-------------------|
| | | September 30, 2022 | December 31, 2021 |
| Petro One Energy Corp. | Canada | 100% | 100% |

Inter-company balances and transactions have been eliminated upon consolidation.

Significant estimates and assumptions

The preparation of these financial statements in accordance with IFRS requires management to make certain estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the year in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting include the recoverability of the carrying value of exploration and evaluation assets and petroleum and natural gas assets, the measurements for financial instruments and share-based payments, the recoverability of deferred tax assets and the measurement of decommissioning liabilities.

The outbreak of the coronavirus, also known as "COVID-19," has spread across the globe and is impacting worldwide economic activity. The extent to which the coronavirus may impact the Company's business activities will depend on the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. The Company continues to closely monitor developments in the coronavirus outbreak, including the potential impact on the Company's activities and its liquidity.

3. Accounts receivable

| | September 30, 2022 | December 31, 2021 |
|---------------------------|--------------------|-------------------|
| GST receivable | \$ 24,216 | \$ 16,743 |
| Royalty income receivable | 11,692 | 6,538 |
| Other receivables | 40,046 | 2,241 |
| | \$ 75,954 | \$ 25,522 |

4. Prepaid expenses and deposits

| | September 30, 2022 | December 31, 2021 |
|--------------------------|--------------------|-------------------|
| Current prepaid expenses | \$ 32,643 | \$ 24,386 |
| | \$ 32,643 | \$ 24,386 |

Trailbreaker Resources Ltd. (formerly Goldstrike Resources Ltd.)
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars - Unaudited)
Nine months ended September 30, 2022

5. Exploration and evaluation assets

A continuity of the Company's exploration and evaluation assets as of September 30, 2022 is as follows:

| | Balance at December 31, 2021 | Exploration | | | | | | | | | | Balance at September 30, 2022 | |
|-----------------------------------|------------------------------------|------------------|------------------|-------------------------|---------------------------|-------------------|---------------------------|------------------|---------------|---|-------------------|-------------------------------------|-----------|
| | | Acquisition | Assay | Contractors & Labour | Exploration Management | Logistics | Travel & Accommodation | Mapping | Permitting | Geological & Geophysical Consulting | Subtotal | | |
| Mineral Property Interests | | | | | | | | | | | | | |
| Cando2 | \$ 1 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1 |
| Plateau | 2,148,566 | - | - | 648 | 2,400 | - | - | - | - | - | 794 | 3,842 | 2,152,408 |
| St. Patrick | 1 | - | - | - | - | - | - | - | - | - | - | - | 1 |
| McMurdo | 38,887 | - | - | - | 8,400 | 170 | 2,538 | - | - | - | 1,671 | 12,779 | 51,666 |
| Skelly- SK | 71,085 | - | - | - | - | - | - | - | - | - | 2,083 | 2,083 | 73,168 |
| Atsutla | 1,002,248 | 3,568 | 9,870 | 14,330 | 34,200 | 124,635 | 23,278 | 17,715 | - | - | 100,692 | 324,720 | 1,330,536 |
| Tuya | 1 | - | - | - | - | - | - | - | - | - | - | - | 1 |
| Connector Gold | - | 9,529 | - | - | 4,200 | - | - | - | - | - | 18,758 | 22,958 | 32,487 |
| Eakin Creek | - | 32,681 | 3,570 | 1,009 | 32,400 | 43,522 | 21,247 | - | 602 | - | 127,175 | 229,525 | 262,206 |
| Eagle Lake | - | 39,610 | 1,117 | 6,560 | 13,200 | 27,702 | 2,829 | - | - | - | 47,385 | 98,793 | 138,403 |
| Castle Rock | - | 3,726 | - | - | 4,800 | 9,745 | 1,399 | - | - | - | 3,213 | 19,157 | 22,883 |
| Total: | \$ 3,260,789 | \$ 89,114 | \$ 14,557 | \$ 22,547 | \$ 99,600 | \$ 205,774 | \$ 51,291 | \$ 17,715 | \$ 602 | \$ 301,771 | \$ 713,857 | \$ 4,063,760 | |

Trailbreaker Resources Ltd. (formerly Goldstrike Resources Ltd.)
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars - Unaudited)
Nine months ended September 30, 2022

5. Exploration and evaluation assets (Continued)

A continuity of the Company's exploration and evaluation assets as of December 31, 2021 is as follows:

| | Balance at December 31, 2020 | Acquisition | Exploration | | | | | | | | | Subtotal | Impairment | Balance at December 31, 2021 | |
|-----------------------------------|------------------------------------|------------------|------------------|-------------------------|-------------------------|---------------------------|-------------------|--------------------|---------------------------|---------------|---|-------------------|--------------------|------------------------------------|------|
| | | | Assay | Trenching & Drilling | Contractors & Labour | Exploration Management | Logistics | Field Equipment | Travel & Accommodation | Mapping | Geological & Geophysical Consulting | | | | |
| Mineral Property Interests | | | | | | | | | | | | | | | |
| Cando2 | \$ 1 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1 |
| Plateau | 2,140,000 | - | - | - | - | 5,600 | 116 | - | 1,906 | - | 944 | 8,566 | - | 2,148,566 | |
| St. Patrick | 1 | - | - | - | - | - | - | - | - | - | - | - | - | 1 | |
| Strike Claims | 1 | - | - | - | - | - | - | - | - | - | - | - | (1) | - | |
| McMurdo | 30,128 | - | - | - | - | 6,368 | 116 | - | 1,907 | - | 368 | 8,759 | - | 38,887 | |
| Skelly- SK | 40,338 | - | 3,337 | - | 3,680 | 12,016 | 7,526 | - | 1,972 | - | 2,216 | 30,747 | - | 71,085 | |
| Atsutla | 91,271 | 47,210 | 67,496 | 8,789 | 119,290 | 33,616 | 244,840 | 17,138 | 156,654 | 400 | 215,544 | 863,767 | - | 1,002,248 | |
| Tuya | - | 2,929 | 10,065 | - | 7,264 | - | 11,042 | - | 1,306 | - | - | 29,677 | (32,605) | 1 | |
| Total: | \$ 2,301,740 | \$ 50,139 | \$ 80,898 | \$ 8,789 | \$ 130,234 | \$ 57,600 | \$ 263,640 | \$ 17,138 | \$ 163,745 | \$ 400 | \$ 219,072 | \$ 941,516 | \$ (32,606) | \$3,260,789 | |

5. Exploration and evaluation assets (continued)

Plateau Property

The Company has a 100% interest in the Plateau Property which is subject to a 3% Net Smelter Royalty (“NSR”) royalty which may be reduced by 1% for a payment of \$1,500,000.

During the year ended December 31, 2017, the Company entered into an investment agreement and an earning and venture agreement with Newmont Canada FN Holdings ULC (“Newmont”), whereby Newmont agreed to acquire 12,705,715 pre-consolidation units of the Company for gross proceeds of USD\$4,500,000 (\$6,025,050) (the “Investment”) and the Company granted the options to Newmont to earn the participating interest in the Plateau Property up to 80% (“Earn-In Transaction”).

During the year ended December 31, 2018, the Company received an option payment of USD \$1,000,000 (\$1,349,200) from Newmont pursuant to the earning and venture agreement.

On January 23, 2019, Newmont provided notice to the Company that it was terminating its rights with respect to the Earn-In Transaction.

During the year ended, December 31, 2020, the Company assessed that there were indicators of impairment of the Plateau Property and recorded a write-down of \$7,448,333.

Cando2 Property

The Company has a 100% interest in the Cando2 Property which is subject to a 3% NSR. During the year ended December 31, 2018, the Company assessed that the carrying value of the property was impaired to \$1.

Strike Claims Property

The Company has a 100% interest in the Strike Claims Property. During the year ended December 31, 2018, the Company assessed that the carrying value of the property was impaired to \$1.

During the year ended, December 31, 2021, the claims expired.

St. Patrick Property

The Company has a 100% interest in the St. Patrick Property. During the year ended December 31, 2018, the Company assessed that the carrying value of the property was impaired to \$1.

McMurdo Property

During 2020, the Company staked the McMurdo property in the province of British Columbia and owns 100% interest in the property.

Skelly Property

During 2020, the Company staked the Skelly property in the province of British Columbia and owns 100% interest in the property.

Atsutla Gold Project

Willy Jack Property

During 2020, the Company staked the Willy Jack property in the province of British Columbia and owns 100% interest in the property.

5. Exploration and evaluation assets (continued)

Atsutla Gold Project (continued)

SWAN Property

During 2020, the Company staked the SWAN property in the province of British Columbia and owns 100% interest in the property.

Tuya Property

During 2021, the Company staked the Tuya property in the province of British Columbia. During the year ended December 31, 2021, the Company assessed that the carrying value and impaired the property to \$1.

Castle Rock

In February 2022, the Company staked the Castle Rock property in the province of British Columbia and owns 100% interest in the property.

Eakin Creek

In March 2022, the Company staked the Eakin Creek property in the province of British Columbia and owns 100% interest in the property. In April 2022, the Company issued 60,000 common shares at price \$0.255 for a fair value of \$15,300 pursuant to the property sale agreement.

Connector Gold

In May 2022, the Company staked the Connector Gold property in the province of British Columbia and owns 100% interest in the property.

Eagle Lake

In June 2022, the Company acquired the Eagle Lake property in the province of British Columbia by a combination of staking and a sale agreement with Teck Resources Limited ("Teck"). The Company owns 100% interest in the property, with a portion of it subject to an underlying 1% NSR to Teck.

The sale of the claims held by Teck is subject to the following terms:

- issue 125,000 common shares (issued) within 7 business days of receipt of TSX Venture Exchange approval.
- Teck shall retain a 1% NSR on the Property.

6. Marketable securities

The Company holds a total of 500,000 Golden Sky Mineral Corp's common shares which is representing 2.58% (December 31, 2021– 650,778 and 2.25%) of the issued and outstanding Golden Sky Shares. The Company's interest in Golden Sky shares was accounted for using the equity method until December 18, 2019. On December 18, 2019, as a result of a dilution in the Company's ownership interest, the Company recognized its investment at fair value through other comprehensive income and recorded a loss of \$1,516,043.

During the nine months ended September 30, 2022, the Company sold 150,778 Golden Sky common shares and 61,120 Juggernaut common shares for net proceeds of \$41,260. A gain of \$6,786 was recorded in the consolidated statement of comprehensive gain (loss).

During the year ended December 31, 2021, the Company sold 300,000 Golden Sky common shares for net proceeds of \$156,018. A gain of \$54,715 was recorded in the consolidated statement of comprehensive loss.

The Company also held 833,333 share purchase warrants in Golden Sky. Each Golden Sky warrant entitles the Company to purchase one additional share of Golden Sky at a price of \$6.00 per share for a period of 36 months from August 10, 2018, subject to acceleration. The fair value recorded for the warrants was determined to be nominal. As of December 31, 2021, 833,333 share purchase warrants had expired.

Trailbreaker Resources Ltd. (formerly Goldstrike Resources Ltd.)

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars - Unaudited)

Nine months ended September 30, 2022

6. Marketable securities (Continued)

During the year ended December 31, 2021, the Company has received 250,778 Golden Sky common shares and 161,160 Juggernaut Exploration Ltd from a trust which the Company and its shareholders are beneficiaries. As result, the Company recognized miscellaneous income of \$158,517 for the fair value of the shares at receipt.

Marketable securities are measured at fair value by reference to quoted stock prices. During the nine months ended September 30, 2022, the Company recorded an unrealized loss of \$131,966 (2021 - \$13,600).

| | Fair value |
|--|------------|
| Carrying value at December 31, 2020 | \$ 287,000 |
| Received from Trust | 158,517 |
| Gain on marketable securities sold | 54,715 |
| Fair value on marketable securities sold | (156,018) |
| Unrealized loss | (53,282) |
| Carrying value at December 31, 2021 | 290,932 |
| Gain on marketable securities sold | 6,786 |
| Fair value on marketable securities sold | (34,474) |
| Unrealized loss | (131,239) |
| Carrying value at September 30, 2022 | \$ 132,005 |

7. Petroleum and natural gas assets

| | Well Equipment | Decommissioning | Exploration and Evaluation | Total |
|--------------------------------------|----------------|-----------------|-------------------------------|----------|
| Balance at December 31, 2020 | \$ - | \$ - | \$ - | \$ - |
| Additions | - | - | 45,691 | 45,691 |
| Impairment | - | - | (45,691) | (45,691) |
| Balance at December 31, 2021 | - | - | - | - |
| Additions | - | - | (7,003) | (7,003) |
| Impairment | - | - | 7,003 | 7,003 |
| Balance at September 30, 2022 | \$ - | \$ - | \$ - | \$ - |

The Company's petroleum and natural gas assets consist of oil and gas wells located in Saskatchewan and Manitoba. During the year ended December 31, 2019, the Company determined that it was unlikely to recover its investment in the exploration and evaluation assets and therefore wrote-down the carrying value to \$nil. In April 2020, the Company received additional quotes to fully reclaim the remaining suspended oil wells. The increased potential costs resulted in the recognition of \$497,087 decommissioning assets and liability.

During the year ended December 31, 2021, the Company sold 4 of the wells for \$1. As part of the transaction, the Company also waived the right to the \$169,200 security deposit held by the Government of Saskatchewan under the Licensee Liability Rating Program (note 8). The company also discharged the decommissioning related to these wells in the amount of \$439,063 (note 11). As a result, the Company recognized a gain of \$269,863.

Trailbreaker Resources Ltd. (formerly Goldstrike Resources Ltd.)
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars - Unaudited)
Nine months ended September 30, 2022

8. Accounts payables and accrued liabilities

| | September 30, 2022 | December 31, 2021 |
|--|---------------------------|--------------------------|
| Accounts Payable | \$ 147,296 | \$ 34,517 |
| Accrued Liabilities | 26,997 | 27,244 |
| Due to related parties (Note 10) | 32,087 | 12,022 |
| Deposit to be transferred to acquirer of oil and gas well (Note 7) | - | 169,200 |
| | \$ 206,380 | \$ 242,983 |

9. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital during the nine months ended September 30, 2022

In April 2022, the Company issued 60,000 common shares at \$0.255 per share for a fair value of \$15,300 pursuant to a purchase agreement for Eakin Creek property.

In June 2022, the Company issued 125,000 common shares at \$0.25 per share for a fair value of \$31,250 to acquire Eagle lake property.

Issued share capital during the year ended December 31, 2021

On May 13, 2021, the Company completed a private placement for gross proceeds of \$1,048,610 by issuing 800,000 non-flow-through Units (the "Unit") at \$0.25 and 2,424,600 FT Units at \$0.35. Each non-flow-through Unit consists of 1 common share of the Company and 1 common share purchase warrant (the "Unit Warrants"), each Unit Warrant being exercisable for an additional common share of the Company at \$0.39 for 24 months from closing, subject to the right of the Company to accelerate the exercise period should, after the expiration of the 4-month hold, shares of the Company trade close at or above \$0.59 for 10 consecutive trading days. Proceeds of this portion of the financing will be used for general working capital purposes. Each FT Unit consists of 1 flow-through share and 1 common share purchase warrant (the "FT Unit Warrants"), each full FT Unit Warrant being exercisable at \$0.49 for a common share of the Company for 24 months. The flow-through shares will entitle the holder to receive tax benefits applicable to flow-through shares in accordance with the provisions of the Income Tax Act (Canada). On issuance of the FT units, the company recorded a flow through premium liability of \$242,560. The Company incurred share issuance cost of \$52,117 in connection with this financing.

Shares returned to treasury

During the year ended December 31, 2021, the Company has received 217,136 common shares from a trust which the Company and its shareholders are beneficiaries. As result, the Company returned the shares to treasury.

Renunciation of exploration expenditure

During the year ended December 31, 2021, the Company incurred and renounced \$848,610 exploration expenditure under its flow-through share program, and recognized income from the reversal of the flow-through premium in the amount of \$242,560.

Trailbreaker Resources Ltd. (formerly Goldstrike Resources Ltd.)

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars - Unaudited)

Nine months ended September 30, 2022

9. Share capital (Continued)

Stock option

The Company has adopted a stock option plan, which provides that the Board of Directors of the Company may, in accordance with the TSX-V requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 20% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 10 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not exceed five percent of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent of the issued and outstanding common shares.

As at September 30, 2022, the Company had the following options outstanding and exercisable:

| Date Issued | Expiry Date | Exercise Price | Number of Options | Number of Options |
|----------------|----------------|----------------|-------------------|-------------------|
| | | | Outstanding | Exercisable |
| April 28, 2016 | April 28, 2026 | \$ 3.15 | 15,000 | 15,000 |
| May 18, 2017 | May 18, 2027 | \$ 5.95 | 17,500 | 17,500 |
| July 9, 2020 | July 9, 2025 | \$ 0.24 | 1,460,000 | 1,460,000 |
| March 24, 2021 | March 24, 2026 | \$ 0.30 | 150,000 | 150,000 |
| May 31, 2022 | May 31, 2027 | \$ 0.24 | 785,000 | 785,000 |
| | | | 2,427,500 | 2,427,500 |

The following is a summary of the Company's stock option activities:

| | September 30, 2022 | | December 31, 2021 | |
|--------------------------------|--------------------|---------------------------------|-------------------|---------------------------------|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Options outstanding, beginning | 1,762,500 | \$ 0.33 | 1,775,000 | \$ 2.01 |
| Options granted | 785,000 | 0.24 | 150,000 | 0.30 |
| Options cancelled | (120,000) | 0.24 | (150,000) | 0.24 |
| Options expired | - | - | (12,500) | 1.75 |
| Options outstanding, ending | 2,427,500 | \$ 0.30 | 1,762,500 | \$ 0.33 |

On September 30, 2022, 120,000 stock options previously issued to a retired officer and a former contractor were cancelled.

On May 31, 2022, 785,000 stock options were granted to directors and consultants of the Company exercisable at a price of \$0.24 per share for a term of five years. The options were fully vested on the grant date.

On March 24, 2021, 150,000 stock options were granted to a director of the Company exercisable at a price of \$0.30 per share for a term of five years. The options were fully vested on the grant date.

On March 19, 2021, 150,000 stock options previously issued to a retired director were cancelled.

Trailbreaker Resources Ltd. (formerly Goldstrike Resources Ltd.)
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars - Unaudited)
Nine months ended September 30, 2022

9. Share capital (Continued)

Stock option (Continued)

The fair value of stock options granted for the nine months ended September 30, 2022 were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

| | September 30, 2022 | December 31, 2021 |
|---|--------------------|-------------------|
| Risk-free interest rate | 2.72% | 0.92% |
| Dividend yield | - | - |
| Expected stock price volatility | 150.77% | 150.99% |
| Weighted average expected life (years) | 5.00 | 5.00 |
| Valuation date fair value of underlying share | \$ 0.22 | \$ 0.32 |

For the three and nine months ended September 30, 2022, the Company recognized share-based compensation of \$nil and \$169,293, respectively (2021 - \$6,830 and \$83,568, respectively).

As at September 30, 2022, 2,427,500 options were exercisable. The weighted average life and weighted average exercise price of exercisable options are 3.45 years and \$0.30 respectively.

Share purchase warrants

As at September 30, 2022, the Company had the following warrants outstanding:

| Date issued | Expiry date | Exercise price | Number of warrants outstanding |
|--------------|--------------|----------------|--------------------------------|
| May 12, 2021 | May 12, 2024 | \$ 0.25 | 2,424,600 |
| May 12, 2021 | May 12, 2024 | \$ 0.25 | 800,000 |
| | | | 3,224,600 |

The following is a summary of the Company's warrant activities:

| | September 30, 2022 | | December 31, 2021 | |
|---------------------------------|--|---------------------------------------|--|---------------------------------------|
| | Number of Common Shares Issuable | Weighted Average Exercise Price | Number of Common Shares Issuable | Weighted Average Exercise Price |
| Warrants outstanding, beginning | 3,224,600 | \$ 0.25 | - | \$ - |
| Warrants issued | - | - | 3,224,600 | 0.47 |
| Warrants outstanding, ending | 3,224,600 | \$ 0.25 | 3,224,600 | \$ 0.47 |

As at September 30, 2022, the weighted average exercise price and weighted average life of the warrants are \$0.25 and 1.61 years, respectively.

Trailbreaker Resources Ltd. (formerly Goldstrike Resources Ltd.)
Notes to Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars - Unaudited)
Nine months ended September 30, 2022

9. Share capital (Continued)

Share purchase warrants (Continued)

Equity reserve and share-based payment reserves

The equity reserve records items related to share purchase warrants issued alongside with share offering. At the time of exercise, the corresponding amount will be transferred to share capital.

The share-based payment reserves record items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

10. Related party transactions

Key personnel compensation:

| | September 30, 2022 | September 30, 2021 |
|--|--------------------|--------------------|
| Management and accounting fees incurred to a company controlled by the Chief Financial Officer of the Company | \$ 114,900 | \$ 85,500 |
| Management fees incurred to a company controlled by the President and Chief Executive Officer of the Company | \$ 40,800 | \$ 54,000 |
| Corporate development and communication fees incurred to a company controlled by the President & Chief Executive Officer of the Company | \$ - | \$ 2,400 |
| Exploration management fees incurred to a company controlled by the President and Chief Executive Officer and capitalized to exploration and evaluation assets | \$ 99,600 | \$ 33,600 |
| Directors' fees incurred to directors of the Company | \$ 9,000 | \$ 24,000 |
| Share-based payments to directors | \$ 131,656 | \$ 48,168 |

As at September 30, 2022, \$32,087 (December 31, 2021 - \$12,022) was owing to related parties and has been included in accounts payables and accrued liabilities (Note 8). The amounts are unsecured, non-interest bearing and due on demand.

On May 31, 2022, 600,000 stock options were granted to directors of the Company exercisable at price of \$0.24 per share for a term of five year. The options were fully vested on the grant date.

On March 24, 2021, 150,000 stock options were granted to a director of the Company exercisable at a price of \$0.30 per share for a term of five years. The options were fully vested on the grant date.

11. Decommissioning liabilities

| | |
|--|------------------|
| Closing balance, December 31, 2020 | \$ 789,275 |
| Reclamation expenses | (118,257) |
| Liability discharged | (439,063) |
| Revaluation | (209,855) |
| Closing balance, December 31, 2021 | \$ 22,100 |
| Reclamation expenses | (2,704) |
| Closing balance, September 30, 2022 | \$ 19,396 |

11. Decommissioning liabilities (Continued)

The Company's decommissioning liabilities result from ownership interests in petroleum and natural gas interests including well sites, gathering systems and processing facilities. The total decommissioning liabilities were estimated by management based on the Company's net ownership interest in all wells, estimated costs to reclaim and abandon the wells and the estimated timing of the costs to be incurred in future periods. The Company has estimated the total amount of liabilities to be \$22,100 as at December 31, 2021. These payments are expected to be made in current year.

During the year ended December 31, 2021, the Company sold 4 of the oil and gas wells for \$1. As result, the Company discharged \$439,063 decommissioning liabilities related to the wells.

12. Contingencies

As of September 30, 2022, the Company's restricted cash balance was \$77,000 (December 31, 2021 - \$201,400) which consisted of one guaranteed letters of credit in the amount of \$15,000 (expiring and renewable in June 2023) issued by Bank of Montreal for the Minister of Finance – the Saskatchewan Oil and Gas Orphan Fund, and one reclamation bond in the amount of \$62,000 (December 31, 2021 - \$nil) for the Ministry of Energy, Mines and Petroleum Resources of British Columbia relating to the Mines Act Permit. During the nine months ended September 30, 2022, the Company received the release of \$186,400 (December 31, 2021 - \$96,700) of the guaranteed letters of credit.

13. Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and cash equivalents. Cash and cash equivalents are held with the same financial institution giving rise to a concentration of credit risk. This risk is managed by using a major Canadian bank that is a high credit quality financial institution.

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. All of the Company's financial liabilities are due within a year.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not incur significant expenditures that are denominated in foreign currencies and does not have any mineral property commitments that are denominated in foreign currencies. Therefore, the Company's exposure to currency risk is considered minimal.

Interest rate risk

Interest rate risk refers to the risk that fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk as cash and cash equivalents earn interest income at variable rates. The fair value of cash and cash equivalents are minimally affected by changes in short term interest rates.

13. Financial risk management (Continued)

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

| | September 30, 2022 | December 31, 2021 |
|---|---------------------------|--------------------------|
| Amortized cost: | | |
| Cash and cash equivalents (including restricted cash) | \$ 733,106 | \$ 1,560,976 |
| Accounts receivable | 11,692 | 6,538 |
| Fair value through other comprehensive income: | | |
| | \$ 744,798 | \$ 1,567,514 |
| FVTOCI: | | |
| Marketable securities | \$ 132,005 | \$ 290,932 |
| | \$ 876,803 | \$ 1,858,446 |

Financial liabilities included in the statement of financial position are as follows:

| | September 30, 2022 | December 31, 2021 |
|---------------------------|---------------------------|--------------------------|
| Amortized cost: | | |
| Accounts payables | \$ 147,296 | \$ 34,517 |
| Due to related parties | 32,087 | 12,022 |
| Deposit to be transferred | - | 169,200 |
| | \$ 179,383 | \$ 215,739 |

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The carrying value of the Company's financial assets and liabilities as at September 30, 2022 and December 31, 2021 approximate their fair value due to their short terms to maturity.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures.

14. Capital Management

The Company manages its capital, consisting of share and working capital, in a manner consistent with the risk characteristic of the assets it holds. All sources of financing are analyzed by management and approved by the board of directors.

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern. The Company is meeting its objective of managing capital through preparing short-term and long-term cash flow analysis to ensure an adequate amount of liquidity. The Company is not subject to any externally imposed capital restrictions.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any external restrictions on its capital.

15. Government Grant

During the year end December 31, 2021, the Company have received \$100,000 grant from the Government of Saskatchewan Accelerated Site Closure Program. The grant was paid directly to the service provider following an agreed upon work package related to site closure activities.

16. Subsequent Events

In November 2022, an Option Agreement has been signed for the Company to obtain a 100% interest to expand the Swam Property within the Atsutla Gold Project. The claim block consists of one claim covering 132 hectares.

Pursuant to the terms of the Option Agreement and subject to receipt of all regulatory approvals, the Company can earn a 100% interest in the Property by making staged share issuances totaling 80,000 common shares over three years and a making a one-time cash payment of \$25,000 as follows:

- 10,000 common shares on receipt of TSX Venture Exchange approval;
- 10,000 common shares on or before November 16, 2023;
- 10,000 common shares on or before November 16, 2024; and
- 50,000 common shares and \$25,000 cash payment on or before November 16, 2025.

The optionor will retain a 1% Net Smelter Royalty and the Company has the right to buy back the 1% NSR within a two-year period from the exercise of the option for a cash payment of \$50,000 and issuance of 100,000 common shares.