
Penbar Capital Ltd.

INTERIM CONDENSED FINANCIAL STATEMENTS

THREE MONTHS ENDED SEPTEMBER 30, 2022

(EXPRESSED IN CANADIAN DOLLARS)

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

The accompanying unaudited interim condensed financial statements of Penbar Capital Ltd. (the "Company") for the three months ended September 30, 2022, have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim condensed financial statements, they must be accompanied by a notice indication that an auditor has not reviewed the financial statements.

The accompanying unaudited interim condensed financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim condensed financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of the interim condensed financial statements by an entity's auditor.

Penbar Capital Ltd.
Interim Condensed Statement of Financial Position
(Expressed in Canadian dollars)

	<u>September 30, 2022</u>	<u>June 30, 2022</u>
	\$	\$
ASSETS		
Current assets		
Cash	172,856	186,414
GST Receivable	612	52
Total Assets	173,468	186,466
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	315	315
Total Liabilities	315	315
SHAREHOLDERS' EQUITY		
Share capital (note 7)	228,297	228,297
Reserve	55,557	55,557
Deficit	(110,701)	(97,703)
Total Shareholders' Equity	173,153	186,151
Total Liabilities and Shareholders' Equity	173,468	186,466

Nature and continuance of operations (note 1)

Approved on behalf of the Board of Directors on November 25, 2022.

"Herrick Lau"
Director

"David Velisek"
Director

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

Penbar Capital Ltd.
Interim Condensed Statement of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Three months ended September 30, 2022	Three months ended September 30, 2021
	\$	\$
Expenses		
Filing fees	1,953	10,334
Professional fees	10,122	2,707
General and administrative	23	78
Transfer agent fees	900	-
Loss and comprehensive loss	(12,998)	(13,119)
Loss per share – basic and diluted	(0.003)	(0.007)
Weighted-average number of common shares outstanding - basic and diluted	4,000,000	2,000,000

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

Penbar Capital Ltd.
Interim Condensed Statement of Change in Shareholders' Equity
(Expressed in Canadian dollars)

	Number of Common Shares	Common Shares \$	Reserves \$	Deficit \$	Total \$
Balance, June 30, 2021	2,000,000	100,000	-	(2,686)	97,314
Loss for the period	-	-	-	(13,119)	(13,119)
Balance, September 30, 2021	2,000,000	100,000	-	(15,805)	84,195
Balance, June 30, 2022	4,000,000	228,297	55,557	(97,703)	186,151
Loss for the period	-	-	-	(12,998)	(12,998)
Balance, September 30, 2022	4,000,000	228,297	55,557	(110,701)	173,153

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

Penbar Capital Ltd.
Interim Condensed Statement of Cash Flows
(Expressed in Canadian dollars)

	Three months ended September 30, 2022	Three months ended September 30, 2021
	\$	\$
Operating activities		
Loss for the period	(12,998)	(13,119)
Changes in non-cash working capital:		
Decrease in prepaid expenses	-	2,940
Increase in GST receivable	(560)	(546)
Increase in accounts payable and accrued liabilities	-	181
Net cash used in operating activities	(13,558)	(10,544)
Change in cash during the period	(13,558)	(10,544)
Cash, beginning of the period	186,414	77,465
Cash, end of the period	172,856	66,921

There were no significant non-cash transactions during the period from July 1, 2022 to September 30, 2022

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Penbar Capital Ltd. (the “Company”) was incorporated on March 4, 2021 under the laws of British Columbia. The Company completed an initial public offering (“IPO”) of its common shares on January 27, 2022, and on January 31, 2022, the Company began trading its shares on the TSX Venture Exchange (“TSX-V” or the “Exchange”). The Company is classified as a Capital Pool Company (“CPC”), as defined in the Exchange Policy 2.4. The Company has not commenced commercial operations and has no significant assets. The activities of the Company are initially limited to the efforts to identify and evaluate the acquisition of assets and business, which would represent a “Qualifying Transaction” for regulatory purposes. The head office and the records and registered office is located at 2250 - 1055 W Hastings St. Vancouver, British Columbia, V6E 2E9.

Since incorporation on March 4, 2021, the Company has had no active business operations. As a CPC, the Company’s principal business objective will be to identify and evaluate assets or businesses with a view to potential acquisition or participation by completing a Qualifying Transaction, as defined in Exchange Policy 2.4 subject, in certain cases, to shareholder approval and acceptance by the Exchange. The Company has an accumulated deficit of \$110,701 as at September 30, 2022. The Company’s ability to continue its operations is dependent upon obtaining additional financing sufficient to cover its operating costs. All of the preceding indicates the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. These interim condensed financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying interim condensed financial statements.

These interim condensed financial statements were authorized by the Board of Directors on November 25, 2022.

2. STATEMENT OF COMPLIANCE

These interim condensed financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

3. BASIS OF PRESENTATION

These interim condensed financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. The interim condensed financial statements are presented in Canadian dollars, which is also the Company’s functional currency. In addition, these interim condensed financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of these interim condensed financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the interim condensed financial statements are disclosed in Note 4.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income of loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

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

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

b) Share capital

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

The proceeds from the issue of units is allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to share capital based on the fair value of the common shares and any residual value is allocated to common share purchase warrants.

c) Loss per share

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

d) Financial instruments

Recognition

The Company recognizes financial assets and financial liabilities on the date the Company becomes a party to the contractual provisions of the instruments.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

d) Financial instruments *(continued)*

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories: i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and ii) those to be measured at amortized costs. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Company has implemented the following classifications:

- Cash is classified as assets at fair value through profit or loss and any period change in fair value is recorded in profit or loss.
- Accounts payable and accrued liabilities are classified as amortized cost and carried on the statements of financial position at amortized cost.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition).

Impairment

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Critical accounting estimates and judgements

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

The effect of a change in accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

Judgements

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future.

Estimates

Deferred tax assets and liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

5. CHANGES IN ACCOUNTING POLICIES

Future accounting standards

As of the date of authorization of these interim condensed financial statements, certain new standards and amendments to existing standards have been published by the IASB that are not yet effective and have not been adopted early by the Company. Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments are not expected to have a material impact on the Company's interim condensed financial statements.

6. RELATED PARTIES

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

As of September 30, 2022, \$Nil (June 30, 2022 - \$Nil) was due to related parties.

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them were recorded at their exchange amounts as agreed upon by transacting parties.

During the three months period ended September 30, 2022, \$Nil (September 30, 2021 - \$Nil) was recognized as share-based payments arising from stock options granted to key management.

7. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

b) Issued and outstanding

As at September 30, 2022, there were 4,000,000 common shares issued and outstanding (June 30, 2022 – 4,000,000).

Fiscal 2022

On January 27, 2022, the Company completed its IPO of 2,000,000 common shares at \$0.10 per common share for gross proceeds of \$200,000. In connection with the IPO, the Company incurred cash share issuance costs of \$55,500. Additionally, the Company issued non-transferrable 200,000 agent's warrants. Each agent's warrant is exercisable into one common share of the Company at an exercise price of \$0.10 until January 27, 2025.

c) Stock options

During the period ended June 30, 2021, the Company adopted an incentive stock option plan (the "Plan") whereby the Company may issue stock options up to 10% of the issued and outstanding common shares, not to exceed 400,000 while the Company remains a CPC, of the Company to eligible directors, officers, employees or consultants. These options may be granted for a maximum term of ten years from the date of grant and vest as determined by the board of directors. The exercise price will be set by the directors at the time of grant and cannot be less than the discounted market price of the Company's common shares, subject to a minimum exercise price of \$0.05.

Penbar Capital Ltd.
Notes to the Interim Condensed Financial Statements
For the Period Ended September 30, 2022
(Expressed in Canadian dollars)

7. SHARE CAPITAL *(continued)*

c) **Stock options** *(continued)*

Any common shares acquired pursuant to the exercise of options under the Plan prior to completion of the Qualifying Transaction must be deposited in escrow and will be subject to escrow until the final exchange bulletin is issued.

On January 27, 2022, the Company granted 400,000 stock options to directors and officers of the Company. Each option is exercisable into one common share of the Company at an exercise price of \$0.10 until January 27, 2032. The Company recorded a share-based payment amount of \$39,354. The Company used the Black-Scholes Option Pricing Model to estimate the fair value of the options using the following assumptions: risk free interest rate of 1.84%; dividend yield of 0%; expected volatility of 150%; and expected option life of 10 years.

The continuity of stock options issued and outstanding for the three month period ended September 30, 2022 is as follows:

	Number of Options	Weighted Average Exercise Price (\$)
Balance March 4, 2021 and June 30, 2021	-	-
Granted	400,000	0.10
Balance June 30, 2022	400,000	0.10
Balance September 30, 2022	400,000	0.10

The options outstanding and exercisable at September 30, 2022 are as follows:

Expiry Date	Outstanding Options			Exercisable Options	
	Number	Exercise Price	Remaining Contractual (in years)	Number	Exercise Price
January 27, 2032	400,000	\$0.10	9.33	400,000	\$0.10

d) **Warrants**

As consideration for the agents' services of January 27, 2022 IPO, the Company issued 200,000 non-transferrable agent's warrants with an exercise price of \$0.10 and expected life of 3 years. The agent's warrants were valued at \$16,203 using the Black-Scholes with the following assumptions at the issue date: risk free interest rate of 1.42%; dividend yield of 0%; expected volatility of 150% and expected life of 3 years.

Penbar Capital Ltd.
Notes to the Interim Condensed Financial Statements
For the Period Ended September 30, 2022
(Expressed in Canadian dollars)

7. SHARE CAPITAL *(continued)*

d) **Warrants** *(continued)*

The continuity of the warrants issued and outstanding for the three month period ended September 30, 2022 is as follows:

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance June 30, 2021	-	-
Granted	200,000	0.10
Balance June 30, 2022	200,000	0.10
Balance September 30, 2022	200,000	0.10

The outstanding warrants as at September 30, 2022 are as follows:

Expiry Date	Price per Share	Warrants Outstanding
January 27, 2025	\$0.10	200,000

8. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the three month period ended September 30, 2022 was based on the loss attributable to common shareholders of \$(0.003) and the weighted average number of common shares outstanding of 4,000,000.

9. MANAGEMENT OF CAPITAL

Capital is composed of the Company's shareholders' equity and any debt that it may issue. As at September 30, 2022, the Company's shareholders' equity was \$173,153. The Company's objectives when managing capital are to maintain financial viability and to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness, and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements, and internally determined capital guidelines and calculated risk management levels.

The Company's current capital was received from the issuance of common shares. The net proceeds raised to date will only be sufficient to identify and evaluate a limited number of assets and businesses for the purpose of identifying and completing a Qualifying Transaction.

The Company is not subject to any externally imposed capital requirements other than the expenditure restrictions applicable under Policy 2.4, which apply on completion of the IPO. These expenditure restrictions limit the aggregate amount that the Company is permitted to spend on reasonable general and administrative costs of the Company not exceeding in aggregate of \$3,000 per month, and reasonable expenses incurred related to a Qualifying Transaction.

There were no changes in the Company's approach to management of capital during the three month period ended September 30, 2022.

10. FINANCIAL INSTRUMENTS

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. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Fair Value Measurements

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 Company's financial instruments consist of cash and accounts payable and accrued liabilities. The fair value of cash is determined based on Level 1 inputs, which consist of quoted prices in active markets for identical assets. Accounts payable and accrued liabilities is measured at amortized cost.

Financial risk management

- **Credit Risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions. Management believes that the credit risk related to its cash is negligible.

- **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 manages liquidity risk through the management of its capital structure and financial leverage as described in Note 9.

The Company monitors its ability to meet its short-term administrative expenditures by raising additional funds through share issuance when required. The Company does not have investments in any asset backed deposits.

- **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 equity prices. The Company does not currently hold and does not expect to hold interest-bearing financial instruments other than cash, assets or liabilities denominated in a foreign currency, and marketable securities or other financial instruments subject to fluctuations in equity prices, it currently does not have and is not expected to have exposure to these market risks.

10. FINANCIAL INSTRUMENTS *(continued)*

- **Interest Rate Risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risk on cash is not considered significant.

- **Currency Risk**

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company is not exposed to significant currency risk. The Company has not entered into any foreign currency contracts to mitigate this risk.