

# **KINGFISHER METALS CORP.**

Condensed Consolidated Interim Financial Statements

Nine Months ended September 30, 2022

(Expressed in Canadian dollars)

**KINGFISHER METALS CORP.**

Condensed Consolidated Interim Statements of Financial Position  
(Expressed in Canadian Dollars)

	As at September 30, 2022	As at December 31, 2021
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 3,637,154	\$ 4,686,967
Amounts receivable	387,510	244,892
Prepaid expenses and other	683,255	45,939
	4,707,919	4,977,798
Exploration and evaluation assets (Note 4)	11,047,651	6,457,484
Property and equipment (Note 5)	304,336	299,492
Restricted cash	146,500	146,500
	\$16,206,406	\$ 11,881,274
<b>Liabilities and Equity</b>		
Current:		
Accounts payable and accrued liabilities	\$ 732,209	\$ 116,230
Obligation to issue shares (Note 4)	-	100,000
CFT – Share Premium Liability (Note 6(b) & 10)	51,250	-
	783,459	216,230
Deferred income taxes	1,445,000	526,900
	2,228,459	743,130
<b>Shareholders' equity</b>		
Capital stock (Note 6)	18,188,826	13,985,005
Contributed surplus (Note 6)	1,799,912	1,477,485
Deficit	(6,010,791)	(4,324,346)
	13,977,947	11,138,144
	\$ 16,206,406	\$11,881,274

Nature of operations and going concern (Note 1)

See accompanying notes.

These financial statements are authorized for issue by the Board of Directors on November 29, 2022.

/s/ Dustin Perry

.....Director

/s/ David Loretto

.....Director

**KINGFISHER METALS CORP.**

Condensed Consolidated Interim Statements of Loss  
(Expressed in Canadian Dollars)

	For the three months ended		For the nine months ended	
	September 2022	September 30, 2021	September 30, 2022	September 30, 2021
<b>General and administrative</b>				
Amortization	\$ 22,173	\$ 13,539	\$ 65,524	\$ 38,013
Audit fees	-	27,000	25,298	32,500
Bank charges	1,060	2,181	2,800	4,270
Consulting and directors' fees	40,632	24,097	78,893	74,346
Corporate relations	64,442	181,292	245,625	219,204
Insurance	3,647	6,647	17,460	15,219
Legal	7,668	1,357	13,060	10,093
Management fee	99,000	87,500	315,167	262,499
Office and administration	24,342	7,940	120,635	53,323
Salaries and wages	7,677	5,562	49,890	14,701
Share-based compensation	73,514	261,768	287,537	1,112,545
Shareholder relations	-	1,050	-	87,654
Transfer and filing fees	21,640	42,212	51,075	110,173
Travel and entertainment	29,598	7,457	54,625	16,269
	(395,393)	(669,602)	(1,327,589)	(2,050,809)
<b>Other Items</b>				
Flow-through recovery (Note 10)	456,781	542,177	558,750	542,177
Interest	-	-	494	649
Listing expense (Note 3)	-	-	-	(1,261,495)
	456,781	542,177	559,244	(718,669)
Net income (loss) before income taxes	61,388	(127,425)	(768,345)	(2,769,478)
Deferred income tax expense	(772,000)	-	(918,100)	-
<b>Net loss for the period</b>	\$ (710,612)	\$ (127,425)	\$ (1,686,445)	\$ (2,769,478)
<b>Loss per share, basic</b>	\$ (0.01)	\$ (0.00)	\$ (0.02)	\$ (0.04)
<b>Weighted average number of common shares outstanding</b>	103,023,576	79,091,114	92,553,545	65,600,316

See accompanying notes.

**KINGFISHER METALS CORP.**

Condensed Consolidated Interim Statements of Cash Flows  
(Expressed in Canadian Dollars)

<b>For the six months ended</b>	<b>September 30, 2022</b>	<b>September 30, 2021</b>
<b>Operating activities</b>		
Net loss for the period	\$ (1,686,445)	\$ (2,769,478)
Changes non-cash operating items:		
Amortization	65,524	38,013
Deferred income tax expense	918,100	-
Flow-through recovery	(558,750)	(542,177)
Listing expense	-	1,261,495
Share-based compensation	287,537	1,112,545
	(974,034)	(899,602)
Changes non-cash working capital:		
Amounts receivable	(142,618)	(346,594)
Prepaid expenses	(637,316)	(107,794)
Accounts payable and accrued liabilities	407,482	158,294
	(372,452)	(296,094)
<b>Cash used in operating activities</b>	<b>(1,346,486)</b>	<b>(1,195,696)</b>
<b>Financing activities</b>		
Issuance of common shares from private placements	4,854,153	10,706,370
Share issue costs	(130,442)	(654,096)
Repayment to shareholder	-	(551)
Options exercised for common shares	-	8,500
Warrants exercised for common shares	25,000	724,813
<b>Cash provided by financing activities</b>	<b>4,748,711</b>	<b>10,785,036</b>
<b>Investing activities</b>		
Cash acquired on RTO (Note 3)	-	124,538
Additions to exploration and evaluation assets	(4,381,670)	(3,610,814)
Additions to property and equipment	(70,368)	(275,880)
Restricted cash	-	(146,500)
<b>Cash used in investing activities</b>	<b>(4,452,038)</b>	<b>(3,908,656)</b>
<b>Net inflow (outflow) of cash and cash equivalents</b>	<b>(1,049,813)</b>	<b>5,680,684</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>4,686,967</b>	<b>116,735</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 3,637,154</b>	<b>\$ 5,797,419</b>

Non-cash investing activity:

The Company incurred \$244,764 in exploration and evaluation assets which were in accounts payable and accrued liabilities at September 30, 2022.

See accompanying notes.

**KINGFISHER METALS CORP.**

Condensed Consolidated Interim Statements of Changes in Equity  
(Expressed in Canadian Dollars)

	<u>Common Shares</u>		<u>Share Based Compensation</u>	<u>Contributed Surplus</u>	<u>Deficit</u>	<u>Total</u>
	<u>Number</u>	<u>Amount</u>				
<b>Balance, December 31, 2021</b>	84,673,300	\$ 13,985,005	\$ 1,228,873	\$ 248,612	\$ (4,324,346)	\$ 11,138,144
Shares issued for mining claims	500,000	100,000	-	-	-	100,000
Charity Flow-through shares issued – net of issue costs	15,250,000	4,179,946	-	-	-	4,179,946
Flow-through shares issued – net of issue costs	2,433,972	543,765	-	-	-	543,765
Agent warrants	-	(34,890)	-	34,890	-	-
Flow-through premium liability	-	(610,000)	-	-	-	(610,000)
Warrants Exercised	200,000	25,000	-	-	-	25,000
Share-based compensation	-	-	287,537	-	-	287,537
Net loss for the period	-	-	-	-	(1,686,445)	(1,686,445)
<b>Balance, September 30, 2022</b>	103,057,272	\$ 18,188,826	\$ 1,516,410	\$ 283,502	\$ (6,010,791)	\$ 13,977,947

	<u>Common Shares</u>		<u>Share Based Compensation</u>	<u>Contributed Surplus</u>	<u>Deficit</u>	<u>Total</u>
	<u>Number</u>	<u>Amount</u>				
<b>Balance, December 31, 2020</b>	39,173,801	\$ 2,373,161	\$ -	\$ -	\$ (554,397)	\$ 1,818,764
Shares issued pursuant to QT	5,242,000	1,310,500	-	75,533	-	1,386,033
Placement – net of issue costs	24,120,000	5,830,993	-	68,545	-	5,899,538
Charity Flow-through shares issued – net of issue costs	5,450,000	3,051,895	-	-	-	3,051,895
Flow-through shares issued – net of issue costs	2,437,000	1,100,841	-	-	-	1,100,841
Agent warrants	-	(138,205)	-	138,205	-	-
Flow-through premium liability	-	(654,000)	-	-	-	(654,000)
Options Exercised	59,999	20,761	-	(12,261)	-	8,500
Warrants Exercised	5,410,500	746,223	-	(21,410)	-	724,813
Share Based Compensation	-	-	1,112,545	-	-	1,112,545
Net loss for period	-	-	-	-	(2,769,478)	(2,769,478)
<b>Balance, September 30, 2021</b>	81,893,300	\$13,642,169	\$ 1,112,545	\$ 248,612	\$ (3,323,875)	\$ 11,679,451

See accompanying notes.

## **KINGFISHER METALS CORP.**

For the nine months ended September 30, 2022

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

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### **1. NATURE OF OPERATIONS AND GOING CONCERN**

Kingfisher Metals Corp. (formerly Seashore Resource Partners Corp) (the "Company" or "Kingfisher") was incorporated under the Business Corporations Act (British Columbia) on September 7, 2017 as a Capital Pool Corporation defined in the Policy 2.4 of the TSX Venture Exchange (the "TSX-V"). The principal business of the Company was the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT"). The Company's registered office is 1710-1050 W. Pender Street, Vancouver, B.C., V6E 3S7.

On March 12, 2021, the Company completed the share exchange transaction with Kingfisher Resources Ltd. ("KFR") (Note 3) which constituted the QT. KFR was incorporated under the Business Corporations Act (British Columbia) on January 21, 2019 and its principal business focus is the exploration and development of mineral prospects in Canada. Upon completion of the QT, the Company began trading under its new name on the TSX-V with the symbol "KFR" (and shortly thereafter on the Frankfurt Stock Exchange under the symbol "970").

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. There is no assurance that the exploration activities of Kingfisher will result in future profitable operations. The business is subject to risk, market conditions, supply and demand, and competition. The Company currently has cash available to meet its administrative overhead and maintain its assets. The recoverability of amounts shown in assets is dependent on several factors. These factors include the ability of the Company to obtain financing to complete the planned exploration, and future cashflow from the Company's business.

However, there can be no assurance that the Company will be able to continue to raise funds in the future in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the statement of financial position.

These condensed consolidated interim financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Statement of compliance of basis of presentation**

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2021, which have been prepared in accordance with IFRS issued by the IASB.

The accounting policies applied by the Company in the condensed consolidated interim financial statements are the same as those applied by the Company in its most recent annual financial statements for the year ended December 31, 2021.

## **KINGFISHER METALS CORP.**

For the nine months ended September 30, 2022

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

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### **(b) Significant accounting judgments, estimates and assumptions**

The preparation of the Company's condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, and contingent liabilities at the date of the condensed consolidated interim financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management judgements, estimates and assumptions include:

- The assessment of whether certain factors (both internal and external) would be considered an indicator of impairment and whether impairment testing is required on the exploration and evaluation assets.
- The determination that the Company will continue as a going concern for the next year.

### **(c) Basis of Consolidation**

The condensed consolidated interim financial statements include the accounts of the Company and its wholly owned integrated subsidiary, Kingfisher Resources Ltd., which was incorporated in British Columbia and is engaged in mining exploration and evaluation activities.

## **3. QUALIFYING TRANSACTION**

In July of 2020, the Company and KFR entered into a share exchange agreement, which set out the principal terms upon which the Company was to acquire all of the issued and outstanding securities of KFR. The transaction would allow KFR to obtain a public listing by completing a reverse take-over transaction whereby KFR, substantively and for accounting purposes, was considered to be the acquiring and the continuing entity. The Company, after giving effect to the completion of the transaction, was referred herein as the resulting issuer. On March 12, 2021, the Company announced that it had completed its QT by acquiring all the issued and outstanding shares of KFR.

In connection with the transaction, the Company completed a concurrent financing totaling \$6,030,000 bringing the Company's total shares issued and outstanding to 68,945,801.

Accordingly, Kingfisher has accounted for the acquisition as a reverse takeover, and no goodwill or intangible asset been recorded (only a listing expense). Therefore, for accounting purposes, KFR, the legal subsidiary, has been treated as the accounting acquirer, and the Company, the legal parent, has been treated as the accounting acquiree in these consolidated financial statements.

As KFR was deemed to be the acquirer for accounting purposes, the Company's assets, liabilities, and operations since incorporation are included in these consolidated financial statements at their historical carrying values. Kingfisher's results of operations have been included from March 12, 2021, the date of completion of the acquisition.

The QT is being accounted for as a capital transaction in which KFR is being identified as the acquirer of the Company and equity consideration is being measured at fair value. The QT does not constitute a business combination under IFRS 3. The QT is accounted for in the consolidated financial statements of the resulting issuer as a continuation of the consolidated financial statements of KFR.

## KINGFISHER METALS CORP.

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For the purposes of accounting for the reverse takeover, the percentage of ownership of the pre-acquisition shareholders of the Company in the combined entity upon completion of the acquisition was determined to be 7.6% (which represents 5,242,000 common shares out of a total of 68,945,801 common shares of the Company outstanding upon closing of the QT).

The total purchase price of \$1,310,500 has been allocated as follows:

Fair value of consideration – purchase price	\$ 1,310,500
Fair value of Kingfisher options	75,533
	<u>\$ 1,386,033</u>
Identifiable net assets of Kingfisher acquired by KFR Ltd.	
Cash	\$ 124,538
Listing expense	1,261,495
	<u>\$ 1,386,033</u>

The fair value of the Kingfisher options is estimated using the Black-Scholes option pricing model with assumptions as follows:

	March 12, 2021
Risk-free interest rate	1.03%
Expected annualized volatility	100%
Expected life	2.56 years
Dividend rate	Nil

#### 4. EXPLORATION AND EVALUATION ASSETS

##### Ecstall

On April 10, 2019, the Company completed the Ecstall purchase of 18 mineral claims totalling 20,735 hectares in Northwestern B.C. for 8,200,000 shares (at a value of \$205,000) from two executives.

The Company also acquired and staked 13 additional claims on adjacent land (totalling approximately 7,671 hectares).

##### Thibert

On June 24, 2020, the Company entered into an asset purchase agreement to acquire Thibert claims from Kenorland Minerals Ltd. ("Kenorland") (a company with a common director), consisting of 8 mineral claims totaling 12,475 hectares in Northwestern B.C. for the following:

- 1,000,000 common shares of the Company (issued);
- common shares of the Company equal to a value of \$100,000 on the first anniversary date of the listing on the TSX-V (issued); and
- a 2% net smelter return royalty.

On November 15, 2021, the Company staked 2 additional mineral claims adjacent to the existing claims totaling 502 hectares for a cost of \$878.

##### Goldrange

On April 6, 2020, the Company completed a purchase from Kenorland of three mineral claims totaling 4,504 hectares in Southwestern B.C. (referred to here as Goldrange) for 500,000 common shares of the Company (at a value of \$50,000) plus a 2% net smelter return royalty.

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Subsequently during the 2020 year, the Company acquired and staked 24 additional mineral claims (totaling approximately 16,574 hectares) by incurring costs of \$73,940 and issuing 70,000 common shares (at a value of \$14,000).

The Company staked 18 additional mineral claims adjacent to the existing claims totaling 29,953 hectares.

	<b>Ecstall Claims</b>	<b>Thibert Claims</b>	<b>Goldrange Claims</b>	<b>Total</b>
<b>Acquisition costs:</b>				
<b>As at December 31, 2020</b>	\$ 218,393	\$ 100,000	\$ 137,940	\$ 456,333
Acquisition costs, agreement for sale	700	100,878	-	101,578
Staking	-	-	54,244	54,244
<b>As at December 31, 2021</b>	<b>219,093</b>	<b>200,878</b>	<b>192,184</b>	<b>612,155</b>
Acquisition costs, agreement for sale	-	-	-	-
Staking (recovery)	5,931	-	(2,008)	3,923
<b>As at September 30, 2022</b>	<b>225,024</b>	<b>200,878</b>	<b>190,176</b>	<b>616,078</b>
<b>Exploration costs:</b>				
<b>As at December 31, 2020</b>	667,771	1,141	549,804	1,218,716
Expenditures during the period:				
Geologist and sundry exploration costs	6,991	336	173,540	180,867
Digitization	24	972	7,520	8,516
Airborne and gravity survey	98,150	-	6,125	104,275
Assays	9,310	-	216,564	225,874
Camp	1,192	-	362,184	363,376
Consulting	3,204	-	36,949	40,153
Drilling	-	-	1,474,730	1,474,730
Field gear	13,500	4,800	62,572	80,872
Geophysics	-	125,737	139,509	265,246
Helicopters	34,293	10,120	1,174,074	1,218,487
Labour	21,994	52,795	487,261	562,050
Reports	1,840	-	15,785	17,625
Transportation and travel	60	5,350	162,932	168,342
	190,558	200,110	4,319,745	4,710,413
<b>As at December 31, 2021</b>	<b>858,329</b>	<b>201,251</b>	<b>4,869,549</b>	<b>5,929,129</b>
Expenditures during the period:				
Assays	155	-	258,907	259,062
Camp	-	-	347,845	347,845
Drilling	-	-	1,362,366	1,362,366
Fieldgear	-	-	67,053	67,053
Geologist and sundry exploration costs	-	-	280,290	280,290
Helicopters	-	-	1,790,555	1,790,555
Reports	-	-	24,383	24,383
Labour	370	6,758	375,849	382,977
Transportation and travel	-	-	71,713	71,713
	525	6,758	4,578,961	4,586,244
<b>As at September 30, 2022</b>	<b>858,854</b>	<b>208,009</b>	<b>9,448,510</b>	<b>10,515,373</b>
<b>Recovery – BCMETC, September 30, 2022</b>	<b>(46,000)</b>	<b>-</b>	<b>(37,800)</b>	<b>(83,800)</b>
<b>Balance, September 30, 2022</b>	<b>\$ 1,037,878</b>	<b>\$ 408,887</b>	<b>\$ 9,600,886</b>	<b>\$ 11,047,651</b>

## KINGFISHER METALS CORP.

For the nine months ended September 30, 2022

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

### 5. PROPERTY AND EQUIPMENT

	Automotive Equipment	Shop Equipment	Exploration Equipment	Office Equipment	Portable Camp	Total
<b>Cost</b>						
At December 31, 2020	\$ 14,820	\$ -	\$ 36,113	\$ 16,161	\$ -	\$ 67,094
Capital expenditures	-	8,588	101,963	14,452	168,561	293,564
At December 31, 2021	14,820	8,588	138,076	30,613	168,561	360,658
Capital expenditures	16,264	5,093	4,726	5,394	38,891	70,368
At September 30, 2022	\$ 31,084	\$ 13,681	\$ 142,802	\$ 36,007	\$ 207,452	\$ 431,026
<b>Accumulated depletion and depreciation</b>						
At December 31, 2020	(2,223)	-	(3,611)	(2,424)	-	(8,258)
Depletion and depreciation	(3,779)	(859)	(16,697)	(6,289)	(25,284)	(52,908)
At December 31, 2021	\$ (6,002)	\$ (859)	\$ (20,308)	\$ (8,713)	(25,284)	\$ (61,166)
Depletion and depreciation	(3,814)	(1,542)	(18,020)	(5,535)	(36,613)	(65,524)
At September 30, 2022	\$ (9,816)	\$ (2,401)	\$ (38,328)	\$ (14,248)	(61,897)	\$ (126,690)
<b>Net book value</b>						
December 31, 2021	\$ 8,818	\$ 7,729	\$ 117,768	\$ 21,900	\$ 143,277	\$ 299,492
<b>September 30, 2022</b>	<b>\$ 21,268</b>	<b>\$ 11,280</b>	<b>\$ 104,474</b>	<b>\$ 21,759</b>	<b>\$ 145,555</b>	<b>\$ 304,336</b>

### 6. CAPITAL STOCK

#### (a) Authorized

Unlimited number of common shares without par value.

#### (b) Issued and outstanding

*During the nine months ended September 30, 2022:*

On August 31, 2022, the Company issued a total of 50,000 common shares at \$0.125 on the exercise of 50,000 warrants for proceeds of \$6,250.

On June 7, 2022, the Company closed a financing for gross proceeds of \$4,854,153. The financing was comprised of (i) 15,250,000 charity flow-through units at a price of \$0.28 per charity flow-through unit for gross proceeds of \$4,270,000; and (ii) 2,433,972 flow-through units at a price of \$0.24 per flow-through unit for gross proceeds of \$584,153.

Each charity flow-through unit and flow-through unit consists of one flow-through common share and one half of one transferable non-flow-through common share purchase warrant. Each full warrant shall be exercisable into one additional non-flow-through common share of the Company for 24 months at an exercise price of \$0.35. The Company recognized a flow-through premium liability of \$610,000.

In connection with the financing, the agent received an aggregate cash fee of \$69,500 and 327,083 non-transferable compensation warrants with a fair value of \$34,890 (see Note 6(d)). Each compensation warrant will entitle the holder to purchase one common share at an exercise price equal to \$0.35 for a period of 24 months.

On June 1, 2022, the Company issued a total of 150,000 common shares at \$0.125 on the exercise of 150,000 warrants for proceeds of \$18,750.

On March 18, 2022, the Company issued 500,000 common shares at a price of \$0.20 per share as part

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For the nine months ended September 30, 2022

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(Expressed in Canadian Dollars)

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of the asset purchase agreement with Kenorland. See Note 4.

*During the nine months ended September 30, 2021:*

On March 12, 2021, the Company issued a total of 24,120,000 units at a price of \$0.25 per unit for gross proceeds of \$6,030,000. Each unit consists of one common share and one warrant. Each warrant is exercisable to acquire one further common share at a price of \$0.50 per common share for a period of two years. The Company paid finder's fees of \$130,463 cash and issued 521,850 finder's warrants, with each finder's warrant entitling the holder to acquire one additional common share at a price of \$0.25 per share for two years.

On June 3, 2021, the Company closed a financing for gross proceeds of \$4,600,000. The financing was comprised of (i) 5,450,000 charity flow-through units at a price of \$0.63 per charity flow-through unit for gross proceeds of \$3,433,500; and (ii) 2,437,000 flow-through units at a price of \$0.51 per flow-through unit for gross proceeds of \$1,242,870.

Each charity flow-through unit and flow-through unit consists of one flow-through common share and one half of one transferable non-flow-through common share purchase warrant. Each full warrant shall be exercisable into one additional non-flow-through common share of the Company for 24 months at an exercise price of \$0.70. The Company recognized a flow-through premium liability of \$654,000.

In connection with the financing, the agent received an aggregate cash fee of \$375,588 and 529,334 non-transferable compensation warrants with a fair value of \$138,205. Each compensation warrant will entitle the holder to purchase one common share at an exercise price equal to \$0.51 for a period of 24 months.

During the period, the Company issued a total of 5,410,500 common shares from the exercise of warrants for gross proceeds of \$724,813 and a total of 59,999 common shares from the exercise of options for gross proceeds of \$8,500.

### **(c) Incentive stock options**

The Company has a stock option plan (the "Plan") allowing for the reservation of common shares issuable under the Plan to a maximum 10% of the number of issued and outstanding common shares of the Company at any given time. The term of any stock option granted under the Plan may not exceed five years and the exercise price may not be less than the discounted market price on the grant date. Unless otherwise specified by the Board of Directors at the time of granting an option, and subject to other term limits on option grants set out in the Plan, all options granted under the Plan shall vest and become exercisable in full upon grant, except options granted to consultants performing investor relations activities, which options must vest in stages over twelve months with no more than one quarter of the options vesting in any three-month period.

The purpose of the Plan is to provide directors, officers, key employees, and certain other persons who provided services to the Company and its subsidiaries with an increased incentive to contribute to the future success and prosperity of the Company.

On March 12, 2021, in accordance with the QT, KFR stock options were converted to 3,910,000 stock options of the Company (2,150,000 options are exercisable until December 27, 2024 and 1,760,000 options are exercisable until September 25, 2025). These options vest over a period of one year.

On March 12, 2021, the Company also granted 1,890,000 stock options to various directors, executive officers, employees, and consultants. These options are exercisable until March 12, 2026, at a price of \$0.25 per share. These options vest over a period of one year.

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On May 25, 2021, the Company granted 360,000 stock options to various employees, and consultants. These options are exercisable until May 25, 2026, at a price of \$0.55 per share. These options vest over a period of one year.

On October 21, 2021, the Company granted 50,000 stock options to a service provider. These options are exercisable until October 21, 2026, at a price of \$0.65 per share. These options vest over a period of one year.

On June 14, 2022, the Company also granted 2,000,000 stock options to various directors, executive officers, employees, and consultants. These options are exercisable until June 14, 2027, at a price of \$0.30 per share. These options vest over a period of one year.

The following is a continuity of outstanding share options:

	Weighted Average of Options	Weighted Average of Exercise price
Balance at December 31, 2020	400,000	\$ 0.10
Exchanged in accordance with the QT	3,910,000	\$ 0.10
Granted during the period	2,300,000	\$ 0.31
Exercised	(59,999)	\$ 0.14
Balance December 31, 2021	6,550,001	\$ 0.17
Granted during the period	2,000,000	\$ 0.30
Balance September 30, 2022	8,550,001	\$ 0.20

The fair value of each option is estimated using the Black-Scholes option pricing model with assumptions as follows:

	October 21, 2021	May 25, 2021	March 12, 2021	June 14, 2022
Risk-free interest rate	1.33%	0.86%	1.03%	3.56%
Expected annualized volatility	94%	101%	100%	108%
Expected life	5 years	5 years	5 years	5 years
Exercise price	\$0.65	\$0.55	\$0.10–0.25	\$0.30
Dividend rate	Nil	Nil	Nil	Nil

The following table summarizes information about stock options that are outstanding at September 30, 2022:

Number of Options	Price per Share	Expiry Date	Options Exercisable
400,000	\$0.10	October 4, 2023	400,000
2,106,667	\$0.10	December 27, 2024	2,106,667
1,760,000	\$0.10	September 25, 2025	1,760,000
1,873,334	\$0.25	March 12, 2026	1,873,334
360,000	\$0.55	May 25, 2026	360,000
50,000	\$0.65	October 21, 2026	37,500
2,000,000	\$0.30	June 14, 2027	666,667
8,550,001			7,204,168

As at September 30, 2022, the weighted average contractual remaining life is 3.25 years.

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### (d) Share purchase warrants

The following is a continuity of outstanding warrants:

	Weighted Average of Warrants	Weighted Average of Exercise Price
Balance at December 31, 2020	-	\$ -
Exchanged in accordance with the QT	10,955,000	\$ 0.125
Issued	24,120,000	\$ 0.50
Issued – Finder’s warrants	1,051,184	\$ 0.381
Issued – Charity Flow Through	2,725,000	\$ 0.70
Issued – Flow Through	1,218,500	\$ 0.70
Exercised	(8,190,500)	\$ 0.131
Balance at December 31, 2021	31,879,184	\$ 0.49
Issued – Finder’s warrants	327,083	\$ 0.35
Issued – Charity Flow Through	7,625,000	\$ 0.35
Issued – Flow Through	1,216,986	\$ 0.35
Exercised	(200,000)	\$ (0.125)
Balance at September 30, 2022	40,848,253	\$ 0.46

The fair value of finder’s warrants is estimated using the Black-Scholes pricing model with assumptions as follows:

	June 7, 2022	June 3, 2021	March 12, 2021
Risk-free interest rate	3.04%	0.32%	1.03%
Expected annualized volatility	100%	101%	100%
Expected life	2 years	2 years	2 years
Dividend rate	Nil	Nil	Nil

The following table summarizes information about warrants that are outstanding at September 30, 2022:

Number of Warrants	Price per Share	Expiry Date	Warrants Exercisable
2,802,500	\$0.125	March 12, 2023	2,802,500
24,045,000	\$0.50	March 12, 2023	24,045,000
358,850	\$0.25	March 12, 2023	358,850
3,943,500	\$0.70	June 3, 2023	3,943,500
529,334	\$0.51	June 3, 2023	529,334
9,169,069	\$0.35	June 7, 2024	9,169,069
40,848,253			40,848,253

As at September 30, 2022, the weighted average contractual life of warrants is 0.75 years.

## 7. RELATED PARTY TRANSACTIONS

The aggregate value of transactions and outstanding balances relating to key management personnel for the nine-month period and year ended were as follows:

	September 30, 2022	December 31, 2021
Share-based compensation	\$ 174,481	\$ 672,565
Director fees	37,753	41,862
Management fees	313,167	350,000

## KINGFISHER METALS CORP.

For the nine months ended September 30, 2022

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Exploration and evaluation assets	19,415	41,024
Operating expenses	9,000	500
	<u>\$ 553,816</u>	<u>\$ 1,105,951</u>

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As at September 30, 2022, \$nil (December 31, 2021 - \$17,918) is included in accounts payable and accrued liabilities.

All transactions and balances are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### 8. FINANCIAL INSTRUMENTS RISK

The Company's financial instruments are exposed to the following risks:

#### *Credit Risk*

Credit risk is the risk of financial loss to the Company if counterparties do not fulfill their contractual obligations.

Cash and cash equivalents consist of cash bank balances. There are no short-term investments currently.

The carrying amount of accounts receivable and cash and cash equivalents represents the maximum credit exposure. The Company does not have an allowance for doubtful accounts. As at September 30, 2022, there were no significant amounts past due or impaired.

#### *Market Risk*

Market risk is the risk that changes in foreign exchange rates and interest rates will affect the Company's cash flows, net income and comprehensive income. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

#### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its purchases and capital commitments, and other financial obligations as they are due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking harm to the Company's reputation.

#### *Foreign Exchange Risk*

The Company currently does not have significant exposure to other currencies, and this is not expected to change in the foreseeable future as the capital commitments that are expected to be carried out in United States dollars will be limited.

#### *Interest Rate Risk*

The Company is exposed to interest rate risk on its cash and cash equivalents. The majority of these deposits have been in discounted instruments with pre-determined fixed yields. Interest rate movements will affect the fair value of these instruments, so the Company manages maturity dates of these instruments to match cash flow needs, enabling realization at no loss in almost all cases.

## **KINGFISHER METALS CORP.**

For the nine months ended September 30, 2022

Notes to the Condensed Consolidated Interim Financial Statements

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### *Fair Value of Financial Instruments*

The fair value of the Company's financial assets and liabilities approximates the carrying amount. 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.

During the nine-month period ended September 30, 2022 and the year ended December 31, 2021, there were no transfers between level 1, 2 and 3 classified assets and liabilities.

## **9. CAPITAL MANAGEMENT**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support future exploration and maintaining investor, creditor and market confidence.

The Company defines its capital as shareholders' equity and working capital. The Board of Directors does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In the event that adjustments to the capital structure are required, the Company may consider issuing additional equity, raising debt or revising its capital investment programs.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements or restrictions. The Company has not paid or declared any dividends since the date of incorporation, nor are any contemplated. The Company may require equity issues to cover administrative and operating cost.

## **10. LIABILITY AND INCOME TAX EFFECT ON FLOW-THROUGH SHARES**

Funds raised through the issuance of flow-through shares are expected to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds less the qualified expenditures made to date represent the funds received from flow-through share issuances that have not been spent and are held by the Company for such expenditures.

During the period ended September 30, 2022, the Company incurred, in aggregate, \$4,586,246 in qualified flow-through expenditures and recognized a recovery flow-through recovery of \$558,750.

As at September 30, 2022, the Company has approximately \$943,000 to spend on qualified expenditures.