



Condensed Interim Consolidated Financial Statements  
For the nine months ended September 30, 2022 and 2021

*(Expressed in Canadian dollars)*

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, Stratabound Minerals Corp. discloses that its auditors have not reviewed the condensed interim consolidated financial statements for the nine months ending September 30, 2022 and 2021.

Stratabound Minerals Corp.  
Condensed Interim Consolidated Statements of Financial Position

| As at   | September 30,<br>2022 | December 31,<br>2021 |
|---|-----------------------|----------------------|
| <b>Assets</b>   |                       |                      |
| Current assets  |                       |                      |
| Cash  | \$ 785,035            | \$ 2,661,825         |
| Marketable securities (Note 3)                        | 36,000                | 108,000              |
| Prepaid expenses                                      | 610,693               | 582,481              |
| Term deposits (Note 4)                                | 30,089                | 1,282,034            |
| GST receivable  | 124,690               | 115,535              |
| <b>Total current assets</b>                           | <b>1,586,507</b>      | <b>4,749,875</b>     |
| Non-current assets                                    |                       |                      |
| Property, plant and equipment                         | 159,018               | 161,864              |
| Land held in Mariposa, CA                             | 7,236,412             | 7,149,546            |
| Mineral exploration and evaluation assets<br>(Note 5) | 16,707,890            | 14,924,852           |
| <b>Total assets</b>                                   | <b>\$ 25,689,827</b>  | <b>\$ 26,986,137</b> |
| <b>Liabilities and shareholders' equity</b>           |                       |                      |
| Current liabilities                                   |                       |                      |
| Accounts payable and accrued liabilities<br>(Note 6)  | \$ 2,525,265          | \$ 2,222,861         |
| Loans payable (Note 7)                                | 3,956,619             | 3,712,142            |
| <b>Total current liabilities</b>                      | <b>6,481,884</b>      | <b>5,935,003</b>     |
| Non-current liabilities                               |                       |                      |
| Rehabilitation provision                              | 14,014                | 13,858               |
| <b>Total liabilities</b>                              | <b>\$ 6,495,818</b>   | <b>\$ 5,948,861</b>  |
| <b>Shareholders' equity</b>                           |                       |                      |
| Share capital (Note 8)                                | \$ 37,060,452         | \$ 36,898,934        |
| Contributed surplus (Note 8)                          | 3,569,155             | 3,327,923            |
| Accumulated other comprehensive loss                  | (94,089)              | (69,000)             |
| Deficit   | (21,341,589)          | (19,120,581)         |
| <b>Total shareholders' equity</b>                     | <b>\$ 19,193,929</b>  | <b>\$ 21,037,276</b> |
| <b>Total liabilities and shareholders' equity</b>     | <b>\$ 25,689,827</b>  | <b>\$ 26,986,137</b> |

Commitments and contingencies (Note 11)

Approved on behalf of the Board of Directors

Director “R. Kim Tyler”

Director “Hashim Ahmed”

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

Stratabound Minerals Corp.  
Condensed Interim Consolidated Statements of Operations and Comprehensive Loss  
For the Three and Nine Months Ended September 30, 2022 and 2021

|  | Three months ended |                   | Nine months ended   |                   |
|--|--------------------|-------------------|---------------------|-------------------|
|  | 2022               | 2021              | 2022                | 2021              |
| <b>Expenses</b>  |                    |                   |                     |                   |
| General and administrative (Note 6)                      | \$ 275,262         | \$ 139,465        | \$ 1,164,227        | \$ 561,826        |
| Share-based compensation (Note 6, 7)                     | 80,411             | 103,266           | 241,232             | 224,900           |
| Merger and acquisition-related costs                     | -                  | 5,752             | -                   | 84,364            |
| Loss on foreign exchange                                 | 223,164            | -                 | 272,582             | -                 |
| Finance costs  | 217,282            | 65,553            | 464,540             | 65,553            |
| Amortization and accretion                               | 2,177              | 206               | 6,427               | 618               |
| <b>Total expenses</b>                                    | <b>798,296</b>     | <b>314,242</b>    | <b>2,149,008</b>    | <b>937,261</b>    |
| <b>Loss from operations</b>                              | <b>798,296</b>     | <b>314,242</b>    | <b>2,149,008</b>    | <b>937,261</b>    |
| Unrealized gain (loss) on marketable securities (Note 3) | (18,000)           | (18,000)          | (72,000)            | -                 |
| Flow-through share income                                | -                  | -                 | -                   | 165,200           |
| <b>Loss for the period</b>                               | <b>\$ 816,296</b>  | <b>\$ 332,242</b> | <b>\$ 2,221,008</b> | <b>\$ 772,061</b> |
| <b>Other comprehensive income</b>                        |                    |                   |                     |                   |
| Loss on translation of foreign subsidiary                | \$ 25,089          | -                 | \$ 25,089           | -                 |
| <b>Loss and comprehensive loss for the period</b>        | <b>\$ 841,385</b>  | <b>\$ 332,242</b> | <b>\$ 2,246,097</b> | <b>\$ 772,061</b> |
| <b>Basic and diluted loss per share</b>                  | <b>\$ 0.005</b>    | <b>\$ 0.003</b>   | <b>\$ 0.013</b>     | <b>\$ 0.008</b>   |
| <b>Weighted average number of shares:</b>                |                    |                   |                     |                   |
| Basic and diluted (Note 7)                               | 177,340,741        | 121,561,855       | 176,496,843         | 100,230,215       |

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

Stratabound Minerals Corp.  
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity  
For the Three and Nine Months Ended September 30, 2022 and 2021

|  | Number of<br>issued and<br>outstanding<br>shares | Share capital     | Contributed<br>surplus | Accumulated<br>other<br>comprehensive<br>loss | Deficit             | Shareholders'<br>equity |
|--|--|-------------------|------------------------|---|---------------------|-------------------------|
|  |  | \$                | \$                     | \$  | \$                  | \$                      |
| <b>Balance at January 1, 2021</b>          | <b>89,094,215</b>                                | <b>26,433,048</b> | <b>2,317,793</b>       | -   | <b>(17,481,328)</b> | <b>11,269,513</b>       |
| Share-based compensation                   | -  | -                 | 228,425                | -   | -                   | 228,425                 |
| Shares issued in respect of E&E properties | 117,300  | 28,152            | -                      | -   | -                   | 28,152                  |
| Warrants exercised                         | 402,777  | 39,500            | -                      | -   | -                   | 39,500                  |
| Options exercised                          | 178,844  | 35,635            | (41,983)               | -   | -                   | (6,348)                 |
| Share issue costs                          | -  | (9,175)           | -                      | -   | -                   | (9,175)                 |
| Acquisition of California Gold Mining Inc. | 65,108,269                                       | 8,464,076         | 61,200                 | -   | -                   | 8,525,276               |
| Comprehensive loss for the period          | -  | -                 | -                      | -   | (772,061)           | (772,061)               |
| <b>Balance at September 30, 2021</b>       | <b>154,901,405</b>                               | <b>34,991,236</b> | <b>2,565,435</b>       | -   | <b>(18,253,389)</b> | <b>19,303,282</b>       |
| <b>Balance at January 1, 2022</b>          | <b>175,226,206</b>                               | <b>36,898,934</b> | <b>3,327,923</b>       | <b>(69,000)</b>                               | <b>(19,120,581)</b> | <b>21,037,276</b>       |
| Share-based compensation                   | -  | -                 | 241,232                | -   | -                   | 241,232                 |
| Shares issued in respect of E&E properties | 2,114,535  | 163,893           | -                      | -   | -                   | 163,893                 |
| Share issue costs                          | -  | (2,375)           | -                      | -   | -                   | (2,375)                 |
| Comprehensive loss for the period          | -  | -                 | -                      | (25,089)                                      | (2,221,008)         | (2,246,097)             |
| <b>Balance at September 30, 2022</b>       | <b>177,340,741</b>                               | <b>37,060,452</b> | <b>3,569,155</b>       | <b>(94,089)</b>                               | <b>(21,341,589)</b> | <b>19,193,929</b>       |

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

Stratabound Minerals Corp.  
Condensed Interim Consolidated Statements of Cash Flow  
For the Three and Nine Months Ended September 30, 2022 and 2021

|  | Three months ended |                   | Nine months ended  |                    |
|--|--------------------|-------------------|--------------------|--------------------|
|  | Sep 30,<br>2022    | Sep 30,<br>2021   | Sep 30,<br>2022    | Sep 30,<br>2021    |
| <b>Operating activities</b>  |                    |                   |                    |                    |
| Loss for the period  | \$ (816,296)       | \$ (332,242)      | \$ (2,221,008)     | \$ (772,061)       |
| Items not affecting cash:  |                    |                   |                    |                    |
| Share-based payments (Note 7)                                      | 80,411             | 103,266           | 241,232            | 224,900            |
| Marketable securities - market value adjustment (Note 3)           | 18,000             | 18,000            | 72,000             | -                  |
| Flow-through share income  | -                  | -                 | -                  | (165,200)          |
| Finance costs  | 217,282            | -                 | 464,540            | -                  |
| Amortization and accretion   | 2,177              | 206               | 6,427              | 618                |
| Change in non-cash working capital                                 | 209,774            | 42,988            | 476,325            | (396,459)          |
| <b>Net cash used in operations</b>                                 | <b>(288,652)</b>   | <b>(253,758)</b>  | <b>(960,484)</b>   | <b>(1,108,202)</b> |
| <b>Investing activities</b>  |                    |                   |                    |                    |
| Acquisition of option on Golden Culvert (Note 5)                   | -                  | -                 | -                  | (13,400)           |
| Acquisition of option on McIntyre Brook (Note 5)                   | -                  | -                 | (85,000)           | (45,000)           |
| Expenditures on mineral exploration and evaluation assets (Note 5) | (843,536)          | (329,745)         | (1,728,038)        | (781,127)          |
| Property carrying costs  | -                  | -                 | (86,866)           | -                  |
| Government assistance received (Note 5)                            | 12,000             | -                 | 30,000             | 40,000             |
| Purchase of property, plant and equipment                          | -                  | -                 | -                  | (3,199)            |
| Redemption of term deposits  | 1,000,000          | 400,000           | 4,250,000          | 2,150,000          |
| Purchase of term deposits  | -                  | -                 | (3,000,000)        | (3,000,000)        |
| <b>Net cash used in investing activities</b>                       | <b>168,464</b>     | <b>70,255</b>     | <b>(619,904)</b>   | <b>(1,652,726)</b> |
| <b>Financing activities</b>  |                    |                   |                    |                    |
| Proceeds from warrant exercises (Note 7)                           | -                  | 32,500            | -                  | 39,500             |
| Cash acquired in California Gold Mining Inc. Acquisition           | -                  | 20,668            | -                  | 20,668             |
| Interest paid  | (96,769)           | -                 | (294,027)          | -                  |
| Share issue costs  | -                  | -                 | (2,375)            | (22,234)           |
| <b>Net cash from financing activities</b>                          | <b>(96,769)</b>    | <b>53,168</b>     | <b>(296,402)</b>   | <b>37,934</b>      |
| <b>Change in cash</b>  | <b>(216,957)</b>   | <b>(130,335)</b>  | <b>(1,876,790)</b> | <b>(2,722,994)</b> |
| <b>Cash - beginning of the period</b>                              | <b>1,001,992</b>   | <b>380,911</b>    | <b>2,661,825</b>   | <b>2,973,570</b>   |
| <b>Cash - end of the period</b>                                    | <b>\$ 785,035</b>  | <b>\$ 250,576</b> | <b>785,035</b>     | <b>250,576</b>     |

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

## 1. Corporate information

Stratabound Minerals Corp. (“Stratabound”) is in the business of acquiring and exploring mineral properties in North America. Stratabound was incorporated under the Business Corporations Act (Alberta) on March 5, 1986, and is listed on the TSX Venture Exchange, having the symbol TSX.V: SB, as a Tier 2 mining issuer and is in the process of exploring its optioned Golden Culvert property in the Yukon, its mineral properties in the province of New Brunswick, and its Fremont property in Mariposa County, California. Stratabound also trades on the OTCQB Venture Market in the United States, under the symbol “SBMIF”.

Stratabound has the following Canadian and US wholly owned subsidiaries (collectively with Stratabound, “the Company”):

- California Gold Mining Inc. (CAD)
- California Gold Mines US Inc. (US)
- Fremont Gold Mining LLC (US)

The address of the Company’s principal office is 100 King Street West, Suite 5700, Toronto, Ontario, Canada, M5X 1C7.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 23, 2022.

## 2. Basis of preparation

### a) Statement of compliance

These 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 interpretation made by the International Financial Reporting Standards Interpretation Committee (“IFRIC”). These condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2021, which have been prepared in accordance with IFRS as issued by the IASB.

### b) Basis of measurement and going concern

The business of exploring for mineral resources involves a high degree of risk and there can be no assurance that the Company’s exploration programs will result in profitable operations. The Company’s ability to repay its loans, to meet its obligations arising from exploration and development activity and to provide working capital for normal operations is dependent upon the existence of economically recoverable reserves; the ability of the Company to continue to secure financial support from the public market; the ability to complete future equity financing; as well as the ability to generate future profitable production or proceeds from the disposition of its properties. The Company has a history of losses, with an accumulated deficit of \$21,335,946 as at September 30, 2022. The Company is dependent on its ability to raise additional funds through equity financing in order to meet the Company’s current liabilities and continue exploring its mineral properties. As there is no assurance the Company will be

## 2. Basis of preparation - continued

successful in these efforts, these conditions result in material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

### c) Basis of consolidation

The condensed interim consolidated financial statements are presented in Canadian dollars ("CDN"), which is also the functional currency of the parent and subsidiary California Gold Mining Inc. The functional currency is United States dollars ("USD") California Gold Mining US Inc., and Fremont Gold Mining LLC.

These condensed interim consolidated financial statements include the accounts of Stratabound and its wholly owned subsidiaries. The financial statements of subsidiaries, including entities which the Company controls, are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany transactions and balances have been eliminated.

## 3. Marketable securities and Taylor Brook option

During the year ended December 31, 2017, the Company granted Jaeger Resources Corp. an option to acquire an 80% interest in the Taylor Brook claim, which is a part of the Bathurst Group CGU ("Cash Generating Unit"), in exchange for 1,000,000 shares of Jaeger Resources Inc. Pursuant to the agreement and through amendments to the term of the option, the Company received an additional 2,600,000 shares of Jaeger Resources Inc. Jaeger Resources Inc. has until February 2023 to complete the required cumulative expenditures on the property. Upon acquisition by Jaeger Resources Inc. of its 80% interest in the property when all requirements are met, the Company could elect within 90 days to continue in a joint venture with Jaeger Resources Inc., buy back 40% ownership from Jaeger Resources Inc. for an amount equal to 150% of the exploration expenditures and renewal payments incurred by Jaeger Resources Inc., or transfer the remaining interest in exchange for a 3% net smelter return royalty.

| Continuity of investment in Jaeger Resources Inc. |    |          |
|---|----|----------|
| Balance at January 1, 2021 (3,600,000 shares)     | \$ | 108,000  |
| Change in fair value                              |    | -        |
| Balance at December 31, 2021 (3,600,000 shares)   | \$ | 108,000  |
| Change in fair value                              |    | (72,000) |
| Balance at September 30, 2022 (3,600,000 shares)  | \$ | 36,000   |

Stratabound Minerals Corp.  
Notes to the Condensed Interim Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2022 and 2021

**4. Term deposits**

At September 30, 2022, the Company holds \$30,089 in a guaranteed investment certificate with an interest rate of 0.75%, maturing 24 July 2023.

**5. Mineral exploration and evaluation assets**

| Continuity of mineral exploration and evaluation assets |           |                   |
|---|-----------|-------------------|
| <b>Balance at January 1, 2021</b>                       | <b>\$</b> | <b>5,562,714</b>  |
| Acquisition, renewal and exploration costs              |           | 1,040,464         |
| Acquisition of California Gold Mining Inc. (Note 10)    |           | 7,867,658         |
| Shares issued for mineral exploration rights (Note 8)   |           | 235,216           |
| Option payments   |           | 291,800           |
| <b>Balance at December 31, 2021</b>                     | <b>\$</b> | <b>14,924,852</b> |
| Acquisition, renewal and exploration costs              |           | 1,564,145         |
| Government grant incentives                             |           | (30,000)          |
| Shares issued for mineral exploration rights (Note 8)   |           | 163,893           |
| Option payments   |           | 85,000            |
| <b>Balance at September 30, 2022</b>                    | <b>\$</b> | <b>16,707,890</b> |

The mineral exploration and evaluation assets of the Company consist of the following claim groups:

**a) Golden Culvert, Yukon Territory**

The Company has the option to acquire 100% ownership of the Golden Culvert and Little Hyland properties (collectively, Golden Culvert) comprising 431 mineral claims in the Little Hyland Valley District of the Southeastern Yukon Territory, approximately 205 kilometres north of the town of Watson Lake. Maintenance and exercise of the option will require the following payments:

- December 12, 2022 - \$550,000

All payments required to maintain the option have been made to date. The payments can be made in cash or up to 50% in Stratabound common shares, at the Company's election. Upon completion of the December 2021 payments, the Company has earned a 40% interest in the Golden Culvert and Little Hyland claims, and a 100% interest in the Rubus claims. The December 2019 payments for Golden Culvert and Little Hyland were made as scheduled, including a total of \$60,000 in cash and 873,786 common shares of the Company, recorded at their market price of \$52,427. The December 2020 payments for Golden Culvert and Little Hyland were made as scheduled and paid in cash, with payments totaling \$305,000. The 2021 payments for Golden Culvert and Little Hyland were made as scheduled, including a total of \$197,500 in cash and 2,011,200 common shares of the Company, recorded at their market price of \$191,064.

## 5. Mineral exploration and evaluation assets - continued

Exercise of the options will also require fulfillment of work requirements of \$350,000 at each of the Golden Culvert and Little Hyland properties during the period ending September 27, 2022. All payments and work commitments on the Golden Culvert claim group have been fulfilled. The claims are subject to net smelter return (NSR) royalties aggregating to 2.5% to Southshore and the Optionors.

Upon completion of the December 2022 payments, the Company will be deemed to have earned a 100% interest in all of the property.

During 2021, the Company expanded the Golden Culvert claim group by completing a transaction to acquire 100% of the mineral rights to the Win property, which is 11 kilometres from the original Golden Culvert claim. In connection with this acquisition, the Company issued 117,300 common shares valued at their market value of \$28,152 and made a payment to the optionors of \$13,400.

Exercise of the Win option will require \$35,000 of expenditures before the first anniversary of the option agreement, which was completed. Maintenance and exercise of the option will require the following annual payments:

- 2022 - \$13,400 - this payment was made in cash in December 2021
- 2023 - \$20,100
- 2024 - \$20,100
- 2025 - \$26,800
- 2026 - \$40,200

Upon completion of all payments and expenditures up to the third anniversary payment, the Company will have earned a 50% interest in the property, and upon completion of the fifth anniversary payment, the Company will have earned a 100% interest in the property.

The Win property is subject to a 2% NSR on production; however, the Company may re-purchase 1.5% (1.5% of the 2% NSR) for \$1,500,000 or increments of \$500,000 per 0.5% NSR.

The carrying value of the Golden Culvert claim group at September 30, 2022 is \$6,207,752 (December 2021 - \$5,756,581).

### b) Bathurst, New Brunswick

The Company holds a 100% interest in 158 units and one mining lease in the Bathurst base metal mining camp in New Brunswick, Canada. The properties include the Captain/CNE and Taylor Brook Deposits (see Note 6) claim groups. All are subject to 1% net smelter return on production, with the exception of the portion of the CNE/Captain Group, which is royalty free.

The carrying value of the Bathurst properties at September 30, 2022 is \$598,319 (December 2021 - \$592,026).

**5. Mineral exploration and evaluation assets - continued**

**c) McIntyre Brook, New Brunswick**

During 2019, the Company completed a transaction to acquire 100% of the mineral rights to the McIntyre Brook Gold Project, located approximately 80 kilometres west of Bathurst, New Brunswick. At closing, the Company issued 300,000 common shares to the Optionors recorded at their market value of \$18,000. During 2020, the Company expanded its original McIntyre Brook property as follows:

i) Acquisition of the McIntyre-Moose Brook property

During February 2020, the Company completed a transaction to acquire 100% of the mineral rights to the McIntyre-Moose Brook property, which is adjacent to the original McIntyre Brook property, by issuing 500,000 common shares, recorded at their market value of \$40,000.

ii) Acquisition of the Gold Brook property

During February 2020, the Company completed a transaction to acquire 100% of the mineral rights to the Gold Brook property, which is adjacent to the original McIntyre Brook property, by issuing 90,000 common shares, recorded at their market value of \$7,200.

iii) Expansion of the initial McIntyre Brook property

In November 2020, the Company completed an amendment to the initial McIntyre Brook property acquisition to acquire an additional 7 claims adjacent to the original McIntyre Brook claim. The Company agreed to issue 200,000 common shares, recorded at their market value of \$60,000.

iv) Acquisition of the Tardiff Brook property

During October 2020, the Company completed a transaction to acquire 100% of the mineral rights to the Tardiff Brook property, which is adjacent to the original McIntyre Brook property, by issuing 200,000 common shares, recorded at their market value of \$60,000.

v) Additional expansion of the McIntyre Brook Property

In May 2022, the Company completed acquisitions of 19 claims comprising 5,956 hectares located adjacent to and East of the Company's existing McIntyre Brook claims. On acquisition, the Company made a cash payment of \$40,000 and issued 1,761,000 common shares, recorded at their market value of \$132,075, and an agreement to pay 400,000 common shares in the future. Subsequent payments on the first, second, third and fourth anniversaries of \$164,000, \$209,000, \$246,500 and \$285,500 respectively, are required to maintain the Options, \$865,000 of which may be paid at the Company's election up to 50% in shares. Upon completion of the fourth anniversary payments Stratabound will have earned 100% ownership in the claims. Stratabound has the option to accelerate the payments to exercise the Options sooner if it so desires. The Company has also agreed to pay the owners a 2% NSR royalty on production from the claims of which may be bought back in increments of \$1,000,000 for each 1% of the NSR. All

## 5. Mineral exploration and evaluation assets - continued

the Options have a provision for performance payments upon completing the following milestones:

- a one-time cash payment of \$25,000 upon a Positive Preliminary Economic Assessment
- a one-time cash payment of \$50,000 upon a Positive Feasibility Study
- a one-time cash payment of \$100,000 upon Commercial Production

Exercise of the McIntyre Brook options will require fulfillment of the following work requirements:

- 2021 - \$10,000 - this work requirement was completed in 2021
- 2022 - \$15,000 - this work requirement was completed in 2022
- 2023 - \$20,000
- 2024 - \$15,000

Maintenance and exercise of the McIntyre Brook options will require the following future annual payments:

- 2021:
  - i) \$75,000, with the option to pay up to \$30,000 with common shares
  - ii) 100,000 common shares
    - The Company has made payments of \$67,500 in cash and issued 183,334 common shares of the Company, recorded at the market value of \$16,000.
- 2022:
  - i) \$115,000, with the option to pay up to \$42,500 with common shares
  - ii) 50,000 common shares
    - The Company has made, up to March 31, 2022, payments of \$45,000 in cash and issued 353,535 common shares of the Company, recorded at the market value of \$31,818.
- 2023:
  - i) \$309,000, with the option to pay up to \$134,500 with common shares
  - ii) 50,000 common shares
- 2024:
  - i) \$319,000, with the option to pay up to \$159,500 with common shares
- 2025:
  - i) \$236,500, with the option to pay up to \$118,250 with common shares
- 2026:
  - i) \$275,500, with the option to pay up to \$137,750 with common shares

All payments and work commitments required to maintain the option have been made to date. Upon completion of the fourth anniversary payments the Company will have earned 100% ownership in the McIntyre Brook claim group. This claim group is subject to the following net smelter returns (“NSR”) on production:

**5. Mineral exploration and evaluation assets - continued**

- McIntyre Brook, McIntyre-Moose Brook, and Gold Brook - These claims are subject to a 2% NSR on production; however, the Company may re-purchase the NSR for either \$1,000,000 or increments of \$500,000 per 0.50% NSR;
- Tardiff Brook - This claim is subject to a 2% NSR on production; however, the Company may re-purchase the NSR for either \$2,000,000 or increments of \$100,000 per 0.5% NSR;

The carrying value of the McIntyre Brook property at September 30, 2022 is \$1,021,072 (December 2021 - \$670,311).

**d) Fremont Property, California, USA**

On August 16, 2021, the Company acquired 3,351 acres of land in Mariposa County, California, known as the Fremont Property, as part of its acquisition of California Gold Mining Inc. The land package is a fee simple interest, subject to a 3% NSR. This property has been valued on acquisition at \$7,867,658. See Note 15 for further detail on the acquisition.

The carrying value of the Fremont Property at September 30, 2022 is \$8,840,038 (2021 - \$7,902,732).

**e) Dingman Property, Ontario**

On August 16, 2021 the Company also acquired 19 mineral claims comprising 200.6 ha located in both Madoc and Marmora Townships approximately 55 km north of Belleville, Ontario known as the Dingman Property as part of its acquisition of California Gold Mining Inc. (Note 15). The claims are in good standing until 2025. The Dingman property is subject to a 2% NSR royalty, half of which may be purchased by Stratabound at any time for \$250,000.

The carrying value of the Dingman Property is \$40,709 (2021 - \$3,202).

**6. Key management compensation and related-party transactions**

Compensation awarded to key management included non-cash share-based compensation of \$226,500 related to options vested in the period (2021 - \$155,120) along with consulting fees of \$257,247 (2021 - \$203,250). Key management includes the Company's officers and directors.

During the period ending March 31, 2021, the estate of a former director exercised 300,000 options with an exercise price of \$0.10 per share on a net settlement basis, resulting in 178,844 shares issued to the estate.

Included in accounts payable and accrued liabilities at September 30, 2022 is \$22,583 (December 2021 - \$54,736) owing to officers and directors of the Company.

\$177,177 is included in accounts payable and accrued liabilities that is owed to R.W. Tomlinson Ltd. in respect of expenses paid on behalf of California Gold Mining Inc. R.W. Tomlinson Ltd. is also owed \$301,995 in interest payable with respect to the loan payable (Note 7).

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**7. Loans payable**

As part of the acquisition of California Gold Mining Inc. (Note 15), the Company assumed the loans that were payable by California Gold Mining Inc. and its subsidiaries. At September 30, 2022, the loans consisted of:

\$3,256,619 (\$2,375,881 USD) - owed to Romspen Investment Corporation. This loan matures on June 30, 2023 and is secured and in first position against the Company's Fremont Gold property in Mariposa County, California. The loan bears interest at 12% per annum. During the period ending 30 June 2022, the loan maturity was extended to June 30, 2023, for consideration of \$11,879 and the warrants owned by Romspen Investment Corporation were repriced to exercise at \$0.085/share, and the expiry date was extended to June 30, 2023.

\$700,000 - owed to R.W. Tomlinson Ltd., a related party by virtue of the Chief Executive Officer of R.W. Tomlinson Ltd. being a director and shareholder of the Company. This loan is past maturity and due on demand, and bears interest at 14% per annum plus default interest of 5% compounding monthly on any unpaid balances past the maturity date. It is secured against the Company's Fremont Gold property in Mariposa County, California, subordinated with respect to the Romspen Investment Corporation loan.

**8. Share capital**

**a) Authorized**

Unlimited number of common shares, without nominal or par value.

**b) Common shares**

|   |       | Number of shares |    | Amount     |
|---|-------|------------------|----|------------|
| Balance at December 31, 2020  |       | 89,094,215       | \$ | 26,433,048 |
| Shares issued - private placements                                  | (i)   | 16,130,267       |    | 1,568,662  |
| Shares issued - warrant exercises                                   | (7.c) | 2,402,777        |    | 219,500    |
| Shares issued - option exercises                                    | (7.d) | 178,844          |    | 35,635     |
| Shares issued - exploration and evaluation assets                   | (ii)  | 2,311,834        |    | 235,216    |
| Shares issued - California Gold Mining Inc. acquisition - (Note 10) |       | 65,108,269       |    | 8,464,076  |
| Share issue costs   |       |                  |    | (57,204)   |
| Balance at December 31, 2021  |       | 175,226,206      | \$ | 36,898,934 |
| Shares issued - exploration and evaluation assets                   | (iii) | 2,114,535        |    | 163,893    |
| Share issue costs   |       | -                |    | (2,375)    |
| Balance at September 30, 2022                                       |       | 177,340,741      | \$ | 37,060,452 |

i) During 2021 the Company closed the following non-brokered private placements:

## 8. Share capital - continued

- a. During October 2021, the Company closed a private placement consisting of 1,426,498 units. Each common share unit was comprised of one common share and one half of one common share purchase warrant for \$0.12/unit, with gross proceeds raised of \$171,180. Each whole warrant entitles the holder to purchase one common share of the Company at \$0.25 per share for a period of two years from the date of issue. The warrants also contain an acceleration clause, in that if the shares of the Company trade above \$0.40 for more than a 10-day period, the Company may elect to accelerate the expiry date. The warrants were valued using the residual difference between the share issuance price and the market price, with a total warrant value of \$42,795 for this issuance.
  - b. During October 2021, the Company closed a private placement consisting of 3,010,000 flow-through units. Each unit was comprised of one common share issued on a flow-through basis, and one half of one common share purchase warrant for \$0.12/unit, with gross proceeds raised of \$361,200. Each warrant entitles the holder to purchase one common share of the Company at \$0.25 for a period of one year from the closing of the financing. The warrants also contain an acceleration clause, in that if the shares of the Company trade above \$0.35 for more than a 10-day period, the Company may elect to accelerate the expiry date. The warrants were valued using the residual difference between the share issuance price and the market price, with a total warrant value of \$90,300 for this issuance.
  - c. During November 2021, the Company the Company closed a private placement consisting of 9,266,701 units. Each common share unit was comprised of one common share and one half of one common share purchase warrant for \$0.12/unit, with gross proceeds raised of \$1,112,004. Each whole warrant entitles the holder to purchase one common share of the Company at \$0.25 per share for a period of two years from the date of issue. The warrants also contain an acceleration clause, in that if the shares of the Company trade above \$0.40 for more than a 10-day period, the Company may elect to accelerate the expiry date. The warrants were valued using the residual difference between the share issuance price and the market price, with a total warrant value of \$185,334 for this issuance.
  - d. During November 2021, the Company closed a private placement consisting of 2,427,068 flow-through units. Each unit was comprised of one common share issued on a flow-through basis, and one half of one common share purchase warrant for \$0.12/unit, with gross proceeds raised of \$291,248. Each warrant entitles the holder to purchase one common share of the Company at \$0.25 for a period of one year from the closing of the financing. The warrants also contain an acceleration clause, in that if the shares of the Company trade above \$0.35 for more than a 10-day period, the Company may elect to accelerate the expiry date. The warrants were valued using the residual difference between the share issuance price and the market price, with a total warrant value of \$48,541 for this issuance.
- ii) During 2021, the Company issued shares in exchange for mineral and exploration rights as follows:

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**8. Share capital - continued**

- a. In January 2021, the Company issued 117,300 common shares, valued at their market price of \$28,152, in connection with the acquisition of the Win property, which is adjacent to the Company's Golden Culvert property.
  - b. In October 2021, the Company issued 83,334 common shares, valued at their market price of \$7,500, in connection with the Tardiff Brook property option.
  - c. In November 2021, the Company issued 100,000 common shares, valued at their market price of \$8,500, in connection with the McIntyre Brook property option.
  - d. In December 2021, the Company issued 2,011,200 common shares, valued at their market price of \$191,064, in connection with the Golden Culvert property option.
- iii) During 2022, the Company issued shares in exchange for mineral and exploration rights as follows:
- a. In February 2022, the Company issued 353,535 common shares, valued at their market price of \$31,818, in connection with the McIntyre Brook property option.
  - b. In May 2022, the Company issued 1,761,000 common shares, valued at their market price of \$132,075, in connection with the McIntyre Brook property expansion.

**c) Warrants**

The following table summarizes the warrant transactions:

|   | Number of warrants |    | Weighted average price |
|---|--------------------|----|------------------------|
| Balance at December 31, 2020                                | 21,771,551         | \$ | 0.311                  |
| Issued during the year - private placements                 | 8,065,135          |    | 0.250                  |
| Granted - California Gold Mining Inc. acquisition (Note 10) | 600,000            |    | 0.150                  |
| Exercised during the year                                   | (2,402,777)        |    | 0.091                  |
| Balance at December 31, 2021                                | 28,033,909         | \$ | 0.300                  |
| Expired during the period                                   | (13,890,725)       |    | 0.302                  |
| Balance at September 30, 2022                               | 14,143,184         | \$ | 0.296                  |

The following table summarizes the warrants outstanding at September 30, 2022:

| Warrants outstanding | Exercise price | Expiry date       |
|----------------------|----------------|-------------------|
| 2,470,000            | 0.350          | October 8, 2022   |
| 1,505,001            | 0.250          | October 26, 2022  |
| 300,000              | 0.150          | November 6, 2022  |
| 1,213,534            | 0.250          | November 10, 2022 |
| 2,211,803            | 0.450          | December 29, 2022 |
| 796,246              | 0.310          | December 29, 2022 |
| 300,000              | 0.085          | June 30, 2023     |
| 713,249              | 0.250          | October 26, 2023  |
| 4,633,351            | 0.250          | November 10, 2023 |
| 14,143,184           | \$             | 0.296             |

**8. Share capital - continued**

**d) Stock options**

The Company has a stock-based compensation plan for its key officers, directors, employees and consultants. Up to 10% of the issued and outstanding shares may be reserved for issuance under the plan. The fair value of each option, for the most recent option grant, was estimated using the Black-Scholes option pricing model for the issuance of options was \$0.115 using the following assumptions: weighted average life of 5 years; risk-free rate of 0.82%; expected volatility of 185%; and, a dividend yield of 0%. All options that were granted in 2021 vest 50% in year 1 and 50% in year 2; however, as the forfeiture of options in a one-year period was deemed unlikely, a forfeiture rate of 0% was used. The Company recognized stock-based compensation expense to September 30, 2022 of \$241,232 (2021 - \$121,634).

The following table summarizes the stock option transactions:

|                                   | Number     |    | Weighted average<br>exercise price |
|-----------------------------------|------------|----|------------------------------------|
| Outstanding at December 31 2020   | 7,033,333  | \$ | 0.197                              |
| Granted                           | 5,425,000  |    | 0.130                              |
| Exercised (i)                     | (300,000)  |    | 0.100                              |
| Expired                           | (33,333)   |    | 0.330                              |
| Outstanding at December 31, 2021  | 12,125,000 | \$ | 0.169                              |
| Expired                           | (300,000)  |    | 0.106                              |
| Outstanding at September 30, 2022 | 11,825,000 | \$ | 0.171                              |

The following table summarizes the options outstanding at September 30, 2022:

| Options outstanding | Exercise price | Expiry date        |
|---------------------|----------------|--------------------|
| 500,000             | 0.300          | October 13, 2022   |
| 1,000,000           | 0.100          | July 16, 2024      |
| 300,000             | 0.100          | January 16, 2025   |
| 800,000             | 0.100          | May 19, 2025       |
| 3,500,000           | 0.250          | September 28, 2025 |
| 100,000             | 0.250          | October 22, 2025   |
| 300,000             | 0.220          | November 3, 2025   |
| 5,325,000           | 0.130          | August 18, 2026    |
| 11,825,000          | \$ 0.171       |                    |

(i) During the period ending 31 March 2021, the estate of a former director of the Company exercised 300,000 options at \$0.10 per on a net settlement basis, resulting in a share issuance of 178,844 common shares of the Company.

## 9. Financial instruments and risk management

The Company is exposed through its operations to the following financial risks:

- Market risk
- Credit risk
- Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

### General objectives, policies and processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's Finance function. The Board of Directors receive monthly reports from the Company's financial controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

#### a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk:

- i) Foreign currency risk;
- ii) Interest rate risk;
- iii) Commodity price risk; and,
- iv) Equity price risk.

The Company is exposed to foreign currency risk in that some of its accounts payables loans are denominated in a foreign currency. Management believes that the Company is not exposed to significant foreign currency risk. In addition, the Company is exposed to equity price risk as a result of its marketable securities (Note 3). Management monitors the equity price of the investment to manage its exposure to the equity price risk.

## **9. Financial instruments and risk management - continued**

### **b) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk include cash, term deposits and other receivables. Cash is maintained with financial institutions and may be redeemed upon demand; and other receivables are amounts due from the government. Both the financial and government institutions are considered reputable and creditworthy institutions.

The carrying amount of cash and term deposits represents the maximum credit exposure. The Company has gross credit exposure at September 30, 2022 and December 31, 2021 of \$815,124 and \$3,943,859, respectively. Management considers that all financial assets held are of good credit quality, and therefore credit risk is not considered significant.

### **c) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due.

Typically, the Company ensures that it has sufficient cash to meet expected operational expenses. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary.

Further, the Company utilizes authorizations for expenditures on exploration projects to further manage expenditure.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing accounts payable and accrued liabilities in conjunction with its daily cash position.

### **Determination of fair values**

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

The carrying amounts for cash, term deposits, loans payable, and accounts payable and accrued liabilities approximate fair value due to their short-term nature. Marketable securities are measured at fair value as the balance is derived from quoted prices in an active market. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

### **Fair value hierarchy**

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable, as follows:

## 9. Financial instruments and risk management - continued

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of the Company's marketable security is based on quoted prices and is therefore considered to be Level 1.

## 10. Acquisition of California Gold Mining Inc.

On August 16, 2021, the Company issued 65,108,269 common shares, and 600,000 common share purchase warrants, in connection with the acquisition of 100% of the outstanding common shares of California Gold Mining Inc. The share issuance was valued at the market value of the Company's shares on August 16, 2021, which was \$0.13 per share. The total share issuance was valued at \$8,464,076. The common share warrants were valued using the Black-Scholes method for option pricing, and were valued at \$61,200. The warrants were valued using the Black-Scholes option pricing model using the following assumptions: weighted average life of 1.25 years, exercise price of \$0.15 and expected volatility of 230%. Transaction costs of \$351,089 were incurred at the closing of the transaction.

The total cost of the acquisition of California Gold Mining Inc. recorded by the Company was \$8,921,128.

### *Purchase price allocation*

The Company accounted for the acquisition of California Gold Mining Inc. as an asset acquisition, and which also included assumption of the debts of California Gold Mining Inc. The purchase price allocation for this transaction is as follows:

|  |    |             |
|--|----|-------------|
| Cash                                     | \$ | 20,668      |
| Prepaid expenses                         |    | 35,063      |
| Property and equipment (i)               |    | 161,088     |
| Land                                     |    | 7,149,546   |
| Exploration and evaluation assets        |    | 7,867,658   |
| Accounts payable and accrued liabilities |    | (2,628,770) |
| Loans payable (ii)                       |    | (3,684,125) |
| Net transaction value                    | \$ | 8,921,128   |

- (i) The property and equipment acquired relate to a structure and corresponding land in California, and is connected to the exploration and evaluation assets acquired by the Company.
- (ii) The loans payable are classified as current liabilities, and have the following terms:

#### 10. Acquisition of California Gold Mining Inc. - continued

- a. \$2,984,125 - due to Romspen Investment Corporation, bearing interest at 12% per annum. This loan is secured against the California property. This note is denominated in USD.
- b. \$700,000 - due to R.W. Tomlinson Ltd., bearing interest at 14% per annum.

#### 11. Commitments and contingencies

The Company is exposed to several lawsuits, related to matters that existed when it acquired California Gold Mining Inc. These matters include:

- Claims from suppliers of California Gold Mining Inc.'s former hemp business, totalling \$1,214,000 USD. The Company believes its maximum exposure to these claims is \$1,085,000 (\$856,000 USD).
- Claim from the former CEO of California Gold Mining Ltd. alleging wrongful dismissal and unpaid amounts, totalling \$617,184. The Company believes that its maximum exposure to this claim is \$145,274, which represents unpaid consulting fees and expenses paid on behalf of California Gold Mining Inc.

The Company's estimated liability from the above has been accrued at September 30, 2022 and included in the accounts payable and accrued liabilities on the balance sheet.

#### 12. Capital management

The Company considers its capital to comprise share capital, contributed surplus, and accumulated other comprehensive income and deficit. The Company's objectives when managing capital are to maintain a sufficient capital base in order to meet its short-term obligations and at the same time preserve investors' confidence required to sustain future development of the business.

The Company is not exposed to any externally imposed capital requirements.

#### 13. Subsequent events

Subsequent to the period end, 5,488,535 warrants with exercise prices between \$0.150 and \$0.350 expired unexercised.

Subsequent to the period end, 500,000 options with an exercise price of \$0.300 expired unexercised.

On October 17, 2022, the Company granted 5,350,000 options pursuant to its incentive stock plan to management, directors and employees. Each option entitles the holder to subscribe for one common share of the Company for \$0.055 for a period of 5 years. The options vest 50% immediately, with the remaining 50% vesting in one year from the grant date.

Subsequent to the period end, the Company issued 97,620 common shares and paid \$37,500 in connection with the annual option payments for its McIntyre Brook mineral property.