

**Pinehurst Capital II Inc.**  
(A Capital Pool Corporation)

**Unaudited Condensed Interim Financial  
Statements**

**For the Three and Nine Months Ended  
September 30, 2021 and 2020**

**(In Canadian Dollars)**

**Notice of No Auditor Review of the Interim Financial Statements**

The accompanying unaudited condensed interim financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management. The Corporation's independent auditor has not performed a review of these financial statements in accordance with standards established by the CPA Canada for a review of interim financial statements by an entity's auditor.

**Pinehurst Capital II Inc.**  
**Unaudited Condensed Interim Statements of Financial Position**  
**As at September 30, 2021 and December 31, 2020**  
(in Canadian Dollars)

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
<b>Assets</b>		
Cash held in trust	\$ 53,239	\$ 98,425
	<b>\$ 53,239</b>	<b>\$ 98,425</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 2,529	\$ 42,167
	<b>2,529</b>	<b>42,167</b>
<b>Shareholders' Equity</b>		
Share capital (Note 3)	<b>376,660</b>	330,815
Warrants (Note 3)	-	15,845
Contributed surplus (Note 3)	<b>44,784</b>	44,784
Deficit	<b>(370,734)</b>	(335,186)
	<b>50,710</b>	56,258
	<b>\$ 53,239</b>	<b>\$ 98,425</b>

**Subsequent events – Note 8**

**Approved by the Board** (signed) "David Rosenkrantz"  
Director **(Signed)**

(signed) "Paul De Luca"  
Director **(Signed)**

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

**Pinehurst Capital II Inc.**  
**Unaudited Condensed Interim Statements of Loss and Comprehensive Loss**  
**For the Three and Nine Months Ended September 30, 2021 and 2020**  
(in Canadian Dollars)

	Three months ended September 30, 2021	Nine Months ended September 30, 2021	Three months ended September 30, 2020	Nine Months ended September 30, 2020
<b>Expenses</b>				
Professional fees	\$ 2,969	\$ 22,113	\$ 49,878	\$ 60,418
Listing and transfer agent fees	1,811	13,435	932	15,174
<b>Net loss and comprehensive loss for the period</b>	<b>(4,780)</b>	<b>(35,548)</b>	<b>(50,810)</b>	<b>(75,592)</b>
<b>Net loss per share – basic and diluted</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>
<b>Weighted average shares outstanding – basic and diluted</b>	<b>5,300,000</b>	<b>5,184,615</b>	<b>5,000,000</b>	<b>5,000,000</b>

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**Pinehurst Capital II Inc.**  
**Unaudited Condensed Interim Statements of Changes in Cash Flows**  
**For the Three and Nine Months Ended September 30, 2021 and 2020**  
(in Canadian Dollars)

	<b>Nine Months ended September 30, 2021</b>	<b>Nine Months ended September 30, 2020</b>
<b>Cash provided by (used in)</b>		
<b>Operating</b>		
Net loss for the period	\$ (35,548)	\$ (75,592)
Change in accounts payable and accrued liabilities	(39,638)	28,014
	(75,186)	(47,578)
<b>Financing</b>		
Proceeds from warrant exercise	30,000	-
<b>Net change in cash</b>	<b>(45,186)</b>	<b>(47,578)</b>
<b>Cash, beginning of period</b>	<b>\$ 98,425</b>	<b>\$ 243,161</b>
<b>Cash, end of period</b>	<b>\$ 53,239</b>	<b>\$ 195,583</b>

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**Pinehurst Capital II Inc.**  
**Notes to the Unaudited Condensed Interim Financial Statements**  
**For the Three Months Ended September 30, 2021 and 2020**  
(In Canadian Dollars)

	Number of Shares	Share Capital	Warrants	Contributed Surplus	Accumulated Deficit	Shareholders' Equity
<b>Balance at December 31, 2019</b>	<b>5,000,000</b>	<b>\$ 330,815</b>	<b>\$ 15,845</b>	<b>\$ 44,784</b>	<b>\$ (156,424)</b>	<b>\$ 235,020</b>
Net loss for the period	-	-	-	-	(75,592)	(75,592)
<b>Balance, September 30, 2020</b>	<b>5,000,000</b>	<b>\$ 330,815</b>	<b>\$ 15,845</b>	<b>\$ 44,784</b>	<b>\$ (232,016)</b>	<b>\$ 159,428</b>
<b>Balance at December 31, 2020</b>	<b>5,000,000</b>	<b>\$ 330,815</b>	<b>\$ 15,845</b>	<b>\$ 44,784</b>	<b>\$ (335,186)</b>	<b>\$ 56,258</b>
Exercise of warrants	300,000	45,845	(15,845)	-	-	30,000
Net loss for the year	-	-	-	-	(35,548)	(35,548)
<b>Balance, September 30, 2021</b>	<b>5,000,000</b>	<b>\$ 376,660</b>	<b>\$ -</b>	<b>\$ 44,784</b>	<b>\$ (370,734)</b>	<b>\$ 50,710</b>

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**Pinehurst Capital II Inc.**  
**Notes to the Unaudited Condensed Interim Financial Statements**  
**For the Three Months Ended September 30, 2021 and 2020**  
(In Canadian Dollars)

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**1. INCORPORATION AND NATURE OF BUSINESS**

Pinehurst Capital II Inc. (the "Corporation") was incorporated under the Ontario Business Corporations Act on July 13, 2018 and is a capital cool company ("CPC") as defined TSX Venture Exchange (the "Exchange") Policy 2.4. The principal business of the Corporation will be the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT"). The Corporation has not commenced commercial operations and has no assets other than cash held in trust. Given the nature of the activities, no separate segmented information is reported. The Corporation's continuing operations, as intended, are dependent on its ability to secure equity financing with which it intends to identify and evaluate potential acquisitions of businesses, and once identified and evaluated, to negotiate an acquisition thereof or participation therein subject to receipt of regulatory and, if required, shareholders' approval.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of 30% of the gross proceeds realized by the Corporation in respect of the sale of its securities or \$120,000, may be used for purposes other than evaluating businesses or assets. These restrictions apply until completion of a QT by the Corporation as defined under the policies of the Exchange. The Corporation is required to complete its QT on or before two years from the date the Corporation receives regulatory approval.

The head office and the registered head office of the Corporation is located at Suite 300, 20 Holly St., Toronto, ON, M4S 3B1.

Effective January 1, 2021, the Exchange implemented changes to its CPC Policy (the "New CPC Policy"). Pursuant to the New CPC Policy, in order for the Corporation to align certain of its policies with the New CPC Policy, it was required to obtain approval from disinterested shareholders of the Corporation. At a special meeting of the shareholders of the Corporation held on February 23, 2021 (the "Meeting"), the requisite approval of disinterested shareholders of the Corporation was obtained for the following matters: (i) to remove the consequences of failing to complete a QT within 24 months of the Corporation's date of listing on the TSXV; and (ii) to amend the escrow release conditions and certain other provisions of the Corporation's escrow agreement. The Corporation completed its transition under the New CPC Policy on April 7, 2021.

On November 29, 2021, the Board of Directors approved the unaudited condensed interim financial statements for the three and Nine Months ended September 30, 2021 and 2020.

During the period ended September 30, 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

**Pinehurst Capital II Inc.**  
**Notes to the Unaudited Condensed Interim Financial Statements**  
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**2. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Statement of Compliance**

The unaudited condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual unaudited condensed interim financial statements.

These financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets, and financial liabilities. These financial statements are presented in Canadian dollars, which is the corporation’s functional and presentation currency.

The accounting policies applied by the Company in these unaudited condensed interim financial statements are the same as those applied by the Company in its Financial Statements for the year ended December 31, 2020.

**3. SHARE CAPITAL**

Authorized

Unlimited common shares

Issued

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5,300,000 common shares, net of issue costs	<b>\$ 376,660</b>
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**Escrowed Shares**

During 2018, the Corporation issued 2,000,000 common shares at \$0.05 per share for total proceeds of \$100,000.

These common shares will be held in escrow pursuant to the requirements of the Exchange Policy 2.4.

All common shares acquired on exercise of stock options granted to directors and officer prior to the completion of a Qualifying Transaction, must also be deposited in escrow until the final exchange bulletin is issued.

All common shares of the Corporation acquired in the secondary market prior to the completion of a Qualifying Transaction by a Control Person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer will also be subject to escrow.

**Pinehurst Capital II Inc.**  
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**3. SHARE CAPITAL – continued**

**Escrowed Shares – continued**

Pursuant to the terms of the New CPC Policy, the Corporation amended certain provisions of the Corporation's previously existing escrow agreement, including allowing the Corporation's escrowed securities to be subject to an 18-month escrow release schedule as detailed in the New CPC Policy, rather than the 36-month escrow release schedule under the previous Policy 2.4.

**Filing of prospectus and Initial Public Offering**

On April 10, 2019, the Corporation issued 3,000,000 common shares at \$0.10 per share for aggregate gross proceeds of \$300,000 pursuant to a prospectus dated February 7, 2019.

The Corporation entered into an agreement with M Partners Inc. (the "Agent") to raise the gross proceeds of \$300,000 in connection with the Corporation's IPO. The Corporation paid a commission of 10% of gross proceeds to the Agent amounting to \$30,000. In addition, the Agent was granted non-transferable warrants to purchase up to 10% of the Common Shares sold in connection with the Offering at a price of \$0.10 per common share, exercisable for a period of twenty-four (24) months from the date of the listing of the Common Shares on the Exchange, see Broker Stock Warrants below. The Corporation reimbursed the Agent for legal fees and other reasonable expenses incurred pursuant to the Offering, in respect of the Offering the Corporation incurred costs of \$23,340.

On April 10, 2019, the Corporation entered into stock option agreements, granting stock options to officers and directors to collectively acquire 500,000 of the outstanding common shares of the Corporation, at an exercise price of \$0.10 per share and expiring April 12, 2029.

**2019 Stock Option Plan**

On April 10, 2019, the Corporation adopted a Stock Option Plan (the "2019 Plan"), which provides for grants of incentive share options and nonqualified share options to employees (including officers), consultants and directors. The 2019 Plan, and grants made under the 2019 Plan, are designed to align shareholder and participant interests. The Corporation's board of directors establishes the terms and conditions of any grants under the 2019 Plan. Incentive share options may be granted only to employees. The aggregate number of common shares of the Corporation as to which options may be granted from time to time under the 2019 Plan shall not exceed 500,000 shares. The maximum exercise period of any option grant shall not exceed ten years from the date of grant. The options vest immediately.

Share-based compensation expense recognized for the period ended September 30, 2020 was \$nil (period ended September 30, 2019 - \$nil).

The Corporation recognizes compensation expense for share option grants based on the fair value at the date of grant using the Black-Scholes option pricing model. The following assumptions were used to determine the fair value of share option grants.

Valuation assumptions:	
Expected volatility	100.00%
Expected term (days)	3,655
Risk-free interest rate	1.68%
Share price	\$ 0.10

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**3. SHARE CAPITAL – continued**

**2019 Stock Option Plan – continued**

Volatility was estimated by considering comparable industry share price volatility. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

The shares granted have an exercise price of \$0.10 and were all immediately vested and exercisable as of the grant date (April 10, 2019). There were no changes in share options during the three and months ended September 30, 2021 and 2020.

**Broker Stock Warrants**

Broker stock warrants were issued in conjunction with the initial public offering. Each warrant entitles its holder to purchase one common share. The Corporation accounts for common stock warrants based on the fair market value of the instrument using the Black-Scholes option pricing model utilizing certain weighted average assumptions such as expected stock price volatility, term of the options and warrants, risk-free interest rates, and expected dividend yield at the grant date.

Total warrants issued were 300,000 at a fair market value of \$0.052816 per share totaling \$15,845 as reported in share capital and the corresponding amount in contributed surplus.

The following assumptions were used to determine the fair value of common stock warrant grants.

Valuation assumptions:	
Expected volatility	100.00%
Expected term (days)	730
Risk-free interest rate	1.60%
Share price	\$ 0.10

Volatility was estimated by considering comparable industry share price volatility. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

On April 10, 2019, the Corporation granted non-transferable warrants to purchase up to 10% of the Common Shares sold in connection with the Offering at an exercise price of \$0.10 per common share, exercisable for a period of twenty-four (24) months from the date of the listing of the Common Shares on the Exchange, being April 10, 2019.

For the three months ended September 30, 2021, no warrants were exercised.

On April 16, 2021, the 300,000 broker warrants were exercised for proceeds of \$30,000, which along with the reclassification of fair value of the exercised warrants from warrant reserve to share capital of \$15,845, resulted in a total increase to share capital of \$45,845.

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**4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

**Capital Management**

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Corporation includes equity, comprised of share capital and deficit, in the definition of capital.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These restrictions apply until completion of a Qualifying Transaction by the Corporation as defined under the Exchange policy 2.4.

**Fair Values**

At September 30, 2021 and 2020, the Corporation's financial instruments consist of cash held in trust and accounts payable and accrued liabilities, which are carried at amortized cost and approximate their fair values due to their short term nature.

**Credit Risk**

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Corporation to concentrations of credit risks consist principally of cash held in trust. The Corporation is not otherwise exposed to significant credit risk.

**Interest Rate Risk**

The Corporation is not exposed to any significant interest rate risk.

**Liquidity Risk**

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation currently settles its financial obligations out of cash. The ability to do this relies on the Corporation raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs and to meet the Corporation's liabilities. The \$2,056 of accounts payable and accrued liabilities are due within one year.

**5. CONTINGENCY**

There is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Corporation's shares from trading.

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**6. RELATED PARTY TRANSACTIONS**

There was no remuneration paid to key management personnel during the three and Nine Months ended September 30, 2021 and 2020. Refer to Note 3 for stock-based compensation to officers and directors.

**7. QUALIFYING TRANSACTION**

On September 11, 2020, the Corporation announced that it had entered into a definitive agreement to acquire the Ana Paula gold development project from by acquiring Aurea Mining Inc. and its wholly-owned subsidiary Minera Aurea S.A. de C.V. from Argonaut Gold Inc. The agreement was intended to be the Corporation's QT. On March 10, 2021, the Corporation announced the termination of this agreement.

**8. QUALIFYING TRANSACTION**

On November 12, 2021, the Company announced that it had entered into a binding letter of intent with Halcones Precious Metals Inc. ("Halcones") in respect of a proposed business combination transaction pursuant to which the Company will acquire all of the issued and outstanding securities of Halcones (the "Proposed Transaction"). It is anticipated that the Proposed Transaction will constitute the QT of the Company in accordance with the New CPC Policy.