



(An Exploration Stage Company)

**CONDENSED INTERIM FINANCIAL STATEMENTS**

For the nine months ended September 30, 2022

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

## **NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the unaudited condensed interim financial statements for the nine months ended September 30, 2022. These condensed interim financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

**RACKLA METALS INC.**

(An Exploration Stage Company)

**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION (UNAUDITED)**

(Expressed in Canadian Dollars)

<b>As at:</b>	<b>September 30, 2022</b>	<b>December 31, 2021</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 1,120,632	\$ 25,795
Equity investments (Note 4)	3,001	5,626
Taxes receivable	5,159	2,445
Prepaid expenses	780	1,170
	<u>1,129,572</u>	<u>35,036</u>
<b>Non-current assets</b>		
Deposit (Note 9)	61,000	61,000
Deferred acquisition costs (Note 5)	-	1,213,404
Exploration and evaluation assets (Note 5)	66,399	10,001
	<u>127,399</u>	<u>1,284,405</u>
<b>TOTAL ASSETS</b>	<b>\$ 1,256,971</b>	<b>\$ 1,319,441</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 53,474	\$ 70,764
Due to related parties (Note 9)	109,389	223,907
<b>Total liabilities</b>	<u>162,863</u>	<u>294,671</u>
<b>Shareholders' equity</b>		
Share capital (Note 7)	11,099,893	9,512,893
Other equity reserves	46,025	119,706
Accumulated other comprehensive loss	(56,749)	(54,124)
Deficit	(9,995,061)	(8,553,705)
<b>Total shareholders' equity</b>	<u>1,094,108</u>	<u>1,024,770</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 1,256,971</b>	<b>\$ 1,319,441</b>

APPROVED BY THE BOARD OF DIRECTORS AND AUTHORIZED FOR ISSUE ON NOVEMBER 21, 2022:

"Bruce Smith"  
Bruce Smith, Director

"William Katzin"  
William Katzin, Director

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

**RACKLA METALS INC.**

(An Exploration Stage Company)

**CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (UNAUDITED)**

(Expressed in Canadian Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>EXPLORATION EXPENDITURES</b> (Notes 6 and 9)	\$ 65,775	\$ -	\$ 79,547	\$ 1,468
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Legal and audit fees	1,000	-	5,184	1,806
Management fees (Note 9)	15,000	10,500	45,000	31,500
Office and administrative (Note 9)	8,710	9,511	23,299	28,969
Salaries and benefits (Note 9)	14,119	12,546	46,439	39,188
Shareholder communications (Note 9)	4,804	1,325	6,608	4,195
Transfer agent and regulatory fees (Note 9)	1,127	1,221	11,986	12,873
Travel and accommodation (Note 9)	6,867	928	25,633	4,688
	51,627	36,031	164,149	123,219
	(117,402)	(36,031)	(243,696)	(124,687)
Interest income	543	-	543	-
Write-off of deferred acquisition costs (Note 5)	-	-	(1,271,884)	-
Write-off of exploration and evaluation assets	-	-	-	(10,000)
<b>Net loss for the period</b>	<b>\$ (116,859)</b>	<b>\$ (36,031)</b>	<b>\$ (1,515,037)</b>	<b>\$ (134,687)</b>
<b>Other comprehensive income (loss)</b>				
Items that will not be reclassified subsequently to profit or loss:				
Fair value loss on equity investments (Note 4)	-	(1,500)	(2,625)	(6,750)
<b>Total comprehensive loss</b>	<b>\$ (116,859)</b>	<b>\$ (37,531)</b>	<b>\$ (1,517,662)</b>	<b>\$ (141,437)</b>
Basic and diluted loss per share	\$(0.00)	\$(0.00)	\$(0.03)	\$(0.00)
Weighted average number of common shares outstanding	45,461,308	34,007,395	44,456,259	32,865,008

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

**RACKLA METALS INC.**

(An Exploration Stage Company)

**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)**

For the nine months ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Other equity reserve - share-based payments	Accumulated other comprehensive income (loss)	Deficit	Total
Balance, December 31, 2020	25,261,308	\$ 8,315,280	\$ 124,922	\$ (48,499)	\$ (8,331,887)	\$ 59,816
Loss for the period	-	-	-	-	(134,687)	(134,687)
Shares issued for private placement	8,100,000	972,000	-	-	-	972,000
Warrants exercised	1,070,000	160,500	-	-	-	160,500
Share issuance costs	-	(5,103)	-	-	-	(5,103)
Fair value loss on equity investments	-	-	-	(6,750)	-	(6,750)
Balance, September 30, 2021	34,431,308	9,442,677	124,922	(55,249)	(8,466,574)	1,045,776
Loss for the period	-	-	-	-	(87,131)	(87,131)
Warrants exercised	400,000	60,000	-	-	-	60,000
Options exercised	50,000	5,000	-	-	-	5,000
Transfer of other equity reserve on exercise of options	-	5,216	(5,216)	-	-	-
Fair value gain on equity investments	-	-	-	1,125	-	1,125
Balance, December 31, 2021	34,881,308	9,512,893	119,706	(54,124)	(8,553,705)	1,024,770
Loss for the period	-	-	-	-	(1,515,037)	(1,515,037)
Warrants exercised	10,580,000	1,587,000	-	-	-	1,587,000
Fair value of expired options	-	-	(73,681)	-	73,681	-
Fair value loss on equity investments	-	-	-	(2,625)	-	(2,625)
<b>Balance, September 30, 2022</b>	<b>45,461,308</b>	<b>\$ 11,099,893</b>	<b>\$ 46,025</b>	<b>\$ (56,749)</b>	<b>\$ (9,995,061)</b>	<b>\$ 1,094,108</b>

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

**RACKLA METALS INC.**

(An Exploration Stage Company)

**CONDENSED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)**

(Expressed in Canadian Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>Cash provided by (used in):</b>				
<b>OPERATING ACTIVITIES</b>				
Net loss for the period	\$ (116,859)	\$ (36,031)	\$ (1,515,037)	\$ (134,687)
Items not involving cash:				
Write-off of deferred acquisition costs	-	-	1,271,884	-
Write-off of exploration and evaluation asset	-	-	-	10,000
	(116,859)	(36,031)	(243,153)	(124,687)
Changes in non-cash working capital items:				
Taxes receivable	(2,254)	5,430	(2,714)	975
Prepaid expenses	130	(12,221)	390	(13,651)
Accounts payable and accrued liabilities	49,854	17,925	(17,290)	6,373
Due to related parties	36,298	33,820	(114,518)	145,664
	(32,831)	8,923	(377,285)	14,674
<b>FINANCING ACTIVITIES</b>				
Proceeds from issuance of capital stock	-	135,000	1,587,000	1,132,500
Share issuance costs	-	-	-	(5,103)
	-	135,000	1,587,000	1,127,397
<b>INVESTING ACTIVITIES</b>				
Deferred acquisition costs	-	(162,703)	(58,480)	(1,122,920)
Acquisition of exploration and evaluation assets	(46,398)	-	(46,398)	-
Advance royalty payments	(10,000)	-	(10,000)	(10,000)
	(56,398)	(162,703)	(114,878)	(1,132,920)
<b>Increase (decrease) in cash</b>	(89,229)	(18,780)	1,094,837	9,151
Cash, beginning of period	1,209,861	48,491	25,795	20,560
<b>Cash, end of period</b>	<b>\$ 1,120,632</b>	<b>\$ 29,711</b>	<b>\$ 1,120,632</b>	<b>\$ 29,711</b>

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

# **RACKLA METALS INC.**

(An Exploration Stage Company)

## **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the nine months ended September 30, 2022

(Expressed in Canadian Dollars)

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### **1. CORPORATE INFORMATION**

Rackla Metals Inc. (the “Company”) is pursuing opportunities related to exploration of mineral resource properties. The Company was incorporated in the Province of British Columbia on September 20, 2011, and its common shares are listed on the TSX Venture Exchange (“TSX-V”) under the symbol RAK.

The address of the Company’s corporate office and principal place of business is Suite 650, 200 Burrard Street, Vancouver, BC, Canada V6C 3L6.

### **2. BASIS OF PREPARATION**

These condensed interim financial statements are prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* under International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). These condensed interim financial statements follow the same accounting policies and methods of application as the most recent annual financial statements of the Company. These condensed interim financial statements do not contain all of the information required for full annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the Company’s most recent annual financial statements, which were prepared in accordance with IFRS as issued by the IASB.

#### **Basis of Measurement**

These condensed interim financial statements have been prepared on the historical cost basis, except for certain financial instruments carried at fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The presentation and functional currency of the Company is the Canadian dollar.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the condensed interim financial statements are disclosed in Note 3.

#### **Ability to Continue as a Going Concern**

These condensed interim financial statements have been presented on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Realization values may be substantially different from the carrying values shown and these condensed interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At September 30, 2022, the Company had not yet achieved profitable operations, has accumulated losses of \$9,995,061 (December 31, 2021: \$8,553,705) since inception, and is expected to incur further losses in the development of its business, all of which raises significant doubt about its ability to continue as a going concern. The Company will periodically have to raise funds to acquire and conduct work programs on mineral properties and meet its ongoing levels of corporate overhead and discharge its liabilities as they come due; although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

## **RACKLA METALS INC.**

(An Exploration Stage Company)

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the nine months ended September 30, 2022

(Expressed in Canadian Dollars)

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#### **2. BASIS OF PREPARATION (cont'd)**

At the time these condensed interim financial statements were prepared, the COVID-19 pandemic continued to cause significant disruptions to the global economy and increased volatility in the global financial markets. While the COVID-19 pandemic has not significantly impacted the Company's operations during the period ended September 30, 2022, the extent to which COVID-19 may adversely impact the Company's business and financing opportunities going forward will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing at the properties, business closures or business disruptions, and the effectiveness of actions taken in Canada, and other countries to contain and treat the disease.

#### **3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

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

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

The key areas of judgment applied in the preparation of the condensed interim financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- i) The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company.

Assets or CGUs are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's exploration and evaluation assets.

In respect of costs incurred for its investment in exploration and evaluation assets, management has determined the acquisition costs that have been capitalized may not be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit, including access to financing to further exploration and development, geologic and metallurgic information, economics assessment/ studies, accessible facilities and existing permits.

- ii) The Company has not recognized a deferred tax asset as management believes that it is not probable that taxable profit will be available against which a deductible temporary difference can be utilized.
- iii) The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its operating expenditures, meet its liabilities for the subsequent year, and to fund planned contractual exploration programs, involves significant judgement based on historical experiences and other factors including expectation of future events that are believed to be reasonable under the circumstances.
- iv) Judgment is required in the determination of preliminary expenditures that are considered deferred acquisition costs towards an eventual exploration and evaluation asset acquisition as to whether the acquisition meets the definition of a business or an asset acquisition and whether the deferred acquisition costs will be recoverable.

## RACKLA METALS INC.

(An Exploration Stage Company)

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2022

(Expressed in Canadian Dollars)

#### 4. EQUITY INVESTMENTS

As of September 30, 2022, equity investments consisted of 75,000 common shares of Damara Gold Corp. ("Damara"), a public company, and 200,000 common shares of Voyager Gold Corp. ("Voyager"), a private company with a common director. The private company shares were initially measured at fair value and subsequently written down to \$1.

As at September 30, 2022, the carrying amount for the equity investments was \$3,001 (December 31, 2021: \$5,626).

During the period ended September 30, 2022, there was a decrease in fair value of the Damara shares by \$2,625 (2021: \$6,750). This amount was recorded as a fair value loss in other comprehensive loss.

	Damara	Voyager	Total
Balance, December 31, 2020	\$ 11,250	\$ 1	\$ 11,251
Change in fair value	(5,625)	-	(5,625)
Balance, December 31, 2021	5,625	1	5,626
Change in fair value	(2,625)	-	(2,625)
<b>Balance, September 30, 2022</b>	<b>\$ 3,000</b>	<b>\$ 1</b>	<b>\$ 3,001</b>

#### 5. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition costs of its mineral property interests during the period ended September 30, 2022:

	Rivier	Tombstone Gold Belt	Expo	Total
Balance, December 31, 2020	\$ 1	\$ -	\$ 10,000	\$ 10,001
Advance royalty payment	10,000	-	-	10,000
Write-off acquisition costs	-	-	(10,000)	(10,000)
Balance, December 31, 2021	10,001	-	-	10,001
Acquisition costs	-	46,398	-	46,398
Advance royalty payment	10,000	-	-	10,000
<b>Balance, September 30, 2022</b>	<b>\$ 20,001</b>	<b>\$ 46,398</b>	<b>\$ -</b>	<b>\$ 66,399</b>

(i) Rivier Property – Yukon Territory, Canada

The Rivier Property consisted of 116 claims located in the Watson Lake Mining District which are 100% owned by the Company.

Pursuant to an agreement entered into in April 2018, as amended in April 2020, the Company agreed to make annual advance royalty payments of \$10,000 to the former owner of 100 of the Rivier Property claims commencing in April 2021 (for as long as the Company owns the Rivier Property) and granted to the previous owner a 2.0% net smelter return royalty on such claims. During the period ended September 30, 2022, the current year advance royalty payment of \$10,000 was made.

## **RACKLA METALS INC.**

(An Exploration Stage Company)

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the nine months ended September 30, 2022

(Expressed in Canadian Dollars)

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#### **5. EXPLORATION AND EVALUATION ASSETS (cont'd)**

##### (ii) Tombstone Gold Belt Projects – Yukon and Northwest Territories, Canada

###### *Main, Jos, and Cinnabar Projects*

During the period ended September 30, 2022, the Company staked three claim groups in the Tombstone Gold Belt in the Northwest Territories, Canada. The staking includes 14 claims covering approximately 11,500 hectares. A total of \$46,398 in acquisition costs relating to these claims were recorded during the period ended September 30, 2022.

###### *Astro Project*

On September 1, 2022, the Company entered into an option agreement with Orogen Royalties Inc. (“Orogen”) to acquire a 100% interest in the Astro Project in the Northwest Territories. To exercise the option agreement, the Company must issue 120,000 common shares of the Company to Orogen upon TSX-V approval of the agreement, incur \$250,000 in exploration expenditures and make a payment of \$382,000 to Orogen in cash or common shares of the Company, within twelve months, and replace or extinguish a \$40,000 reclamation bond previously put in place by Orogen with the Northwest Territories mining authority. Upon exercise of the option agreement, Orogen will retain a 2.5% NSR royalty on the Astro property. TSX-V approval was received on September 30, 2022 and 120,000 common shares were issued to Orogen subsequent to the period end.

###### *Hit Project*

On September 28, 2022, the Company entered into an option agreement with Aben Resources Ltd. (“Aben”) to acquire a 100% interest in the Hit Project in the Yukon Territory. To exercise the option agreement, the Company must pay \$25,000 cash to Aben upon TSX-V approval of the agreement, within twelve months of TSX-V approval, pay a further \$25,000 cash and issue 250,000 common shares of the Company to Aben and incur \$100,000 in exploration expenditures. Upon exercise of the option agreement, Aben will be granted a 0.5% NSR royalty on the Hit property and the Company will assume from Aben the obligation to pay a 2.0% NSR royalty to a former Hit property owner. Subsequent to September 30, 2022, TSX-V approval was received and the initial \$25,000 cash payment was made.

###### *SER Project*

On September 29, 2022, the Company entered into an option agreement with Sabre Gold Mines Corp. (“Sabre”) to acquire a 100% interest in the SER Project in the Yukon Territory. To exercise the option agreement, the Company must pay \$50,000 cash to Sabre upon TSX-V approval of the agreement, and within twelve months of TSX-V approval, pay a further \$150,000 cash and issue \$150,000 worth of common shares of the Company to Sabre. Upon exercise of the option agreement, Sabre will be granted a 2.5% NSR royalty on the SER property. Subsequent to September 30, 2022, TSX-V approval was received and the initial \$50,000 cash payment was made.

##### (iii) Misisi Gold Project – Democratic Republic of the Congo

During the 2021 fiscal year, the Company entered into an agreement to acquire a 73.5% interest in the Misisi Gold Project located in the Democratic Republic of the Congo (“DRC”) and made initial payments totaling \$675,303 and incurred additional transaction costs of \$538,101, all of which were recorded as deferred acquisition costs.

During the period ended September 30, 2022, after incurring additional transaction costs of \$58,480, the Company determined that the transaction could not be completed and as a result, wrote off deferred acquisition costs totaling \$1,271,884.

## RACKLA METALS INC.

(An Exploration Stage Company)

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2022

(Expressed in Canadian Dollars)

#### 6. EXPLORATION EXPENDITURES

During the period ended September 30, 2022, the Company incurred the following exploration expenditures:

	Rivier	Tombstone Gold Belt Projects	Other	Total
Administration	\$ 160	\$ 238	\$ 860	\$ 1,258
Field expense	-	3,826	-	3,826
Geological fees	2,431	18,104	29,175	49,710
Travel	-	15,665	9,088	24,753
<b>Balance, end of period</b>	<b>\$ 2,591</b>	<b>\$ 37,833</b>	<b>\$ 39,123</b>	<b>\$ 79,547</b>

During the period ended September 30, 2021, the Company incurred \$1,468 on Rivier property geological and maintenance costs.

#### 7. SHARE CAPITAL AND RESERVES

##### (a) Common Shares

The Company is authorized to issue an unlimited number of common shares without par value.

During period ended September 30, 2022, a total of 10,580,000 share purchase warrants with an exercise price of \$0.15 per share were exercised for proceeds of \$1,587,000.

##### (b) Share Purchase Warrants

The following is a summary of changes in share purchase warrants from January 1, 2021 to September 30, 2022:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2020	5,000,000	\$0.15
Issued	8,100,000	\$0.15
Exercised	(1,470,000)	\$0.15
Balance, December 31, 2021	11,630,000	\$0.15
Exercised	(10,580,000)	\$0.15
Expired	(1,050,000)	\$0.15
<b>Balance, September 30, 2022</b>	<b>-</b>	<b>-</b>

As at September 30, 2022, there were no share purchase warrants outstanding.

## RACKLA METALS INC.

(An Exploration Stage Company)

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2022

(Expressed in Canadian Dollars)

## 8. SHARE-BASED PAYMENTS

### Option Plan Details

The Company has in place a stock option plan (the “Plan”) that allows the Board of Directors to grant incentive stock options to the Company’s officers, directors, employees, and consultants. The exercise price of stock options granted is determined by the Board of Directors at the time of the grant in accordance with the terms of the Plan and the policies of the TSX-V. Options vest on the date of granting unless stated otherwise. Options granted to investor relations consultants vest in accordance with TSX-V regulation. The options are for a maximum term of ten years.

### Share Purchase Options

The following is a summary of changes in options for the period ended September 30, 2022:

Expiry date	Exercise price	Opening balance	During the period			Closing balance	Vested and exercisable
			Granted	Exercised	Expired / forfeited		
July 19, 2022	\$0.75	141,000	-	-	(141,000)	-	-
May 2, 2029	\$0.10	410,000	-	-	-	410,000	410,000
May 27, 2030	\$0.14	25,000	-	-	-	25,000	25,000
		<b>576,000</b>	-	-	<b>(141,000)</b>	<b>435,000</b>	<b>435,000</b>
<b>Weighted average exercise price</b>		<b>\$0.26</b>	-	-	<b>\$0.75</b>	<b>\$0.10</b>	<b>\$0.10</b>

The weighted average remaining contractual life of the options outstanding at September 30, 2022 is 6.65 years (December 31, 2021: 5.72).

## RACKLA METALS INC.

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### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2022

(Expressed in Canadian Dollars)

#### 9. RELATED PARTY TRANSACTIONS

The Company had transactions during the periods ended September 30, 2022 and 2021 with related parties consisting of directors, officers and the following companies with common directors:

<b>Related party</b>	<b>Nature of transactions</b>
Gold Group Management Inc. ("Gold Group")	Shared office and administrative related charges
Radius Gold Inc. ("Radius")	Geological services
Mill Street Services Ltd. ("Mill Street")	Management services

Balances and transactions with related parties not disclosed elsewhere in these condensed interim financial statements are as follows:

- (a) During the periods ended September 30, 2022 and 2021, the Company reimbursed Gold Group for the following costs:

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
General and administrative expenses:				
Office and administration	\$ 8,608	\$ 8,346	\$ 23,936	\$ 26,124
Salaries and benefits	14,119	12,546	46,439	39,188
Shareholder communications	4,324	1,005	5,158	2,755
Transfer agent and regulatory fees	225	709	2,735	5,263
Travel and accommodation	2,860	928	11,147	4,446
	<b>\$ 30,136</b>	<b>\$ 23,534</b>	<b>\$ 89,415</b>	<b>\$ 77,776</b>
Exploration expenditures	\$ 2,660	\$ -	\$ 2,660	\$ -
Exploration and evaluation acquisition costs	\$ 2,901	\$ -	\$ 2,901	\$ -
Deferred acquisition costs	\$ -	\$ 1,050	\$ -	\$ 11,075

Gold Group is owned by the Chief Executive Officer of the Company and is reimbursed by the Company for certain shared costs and other business-related expenses paid by Gold Group on behalf of the Company. Salaries and benefits costs paid to Gold Group include those for the Chief Financial Officer and Corporate Secretary.

- (b) During the period ended September 30, 2022, the Company was charged \$20,825 (2021: \$821) for geological services provided by an employee of Radius, a company with common directors and officers.
- (c) Deposits as of September 30, 2022 consist of \$61,000 (December 31, 2021: \$61,000) paid to Gold Group and are related to the shared office and administrative services agreement with Gold Group. Upon termination of the agreement, the deposits, less any outstanding amounts owing to Gold Group, are to be refunded to the Company.
- (d) Amounts due to related parties as of September 30, 2022 consist of \$37,196 (December 31, 2021: \$92,913) due to Gold Group, \$58,851 owed to Mill Street, a company controlled by the Chief Executive Officer of the Company, for management fees (December 31, 2021: \$126,494 owed for a short-term advance of \$100,000 to the Company and the balance for management fees and expense reimbursement), \$11,842 (December 31, 2021: \$Nil) owed to Radius, and \$1,500 (December 31, 2021: \$4,500) due to the President of the Company for management fees. The balance due to Gold Group is collateralized by a deposit and the balance due to others are unsecured, non-interest bearing and due on demand.

## RACKLA METALS INC.

(An Exploration Stage Company)

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2022

(Expressed in Canadian Dollars)

#### 9. RELATED PARTY TRANSACTIONS (cont'd)

##### Key management compensation

Key management personnel are persons responsible for planning, directing, and controlling the activities of an entity, and include certain directors and officers. Key management compensation comprises:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Management fees	\$ 15,000	\$ 10,500	\$ 45,000	\$ 31,500
Salaries and benefits	2,708	2,375	9,750	8,791
Geological fees (included in exploration expenses)	3,100	-	3,100	-
Consulting fees (included in deferred acquisition costs)	-	18,902	-	25,500
	<b>\$ 20,808</b>	<b>\$ 31,777</b>	<b>\$ 57,850</b>	<b>\$ 65,791</b>

#### 10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed 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 condensed interim financial statements.

##### 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, whilst 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 management. The Board of Directors receives periodic reports 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 or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices affecting the Company are comprised of the following types of risk: interest rate risk and equity price risk. The Company is not exposed to the risk related to the fluctuation of foreign currency rates.

## **RACKLA METALS INC.**

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For the nine months ended September 30, 2022

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#### **10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)**

##### *(a) Market Risk (cont'd)*

###### *Interest Rate Risk*

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian financial institutions. The Company considers this risk to not be significant.

###### *Equity Price Risk*

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's equity investments are exposed to equity price risk due to the potentially volatile and speculative nature of the businesses in which the equity investments are held. The common shares held in Damara and Voyager are monitored by management with decisions on sale taken at Board level. A 10% change in fair value of the shares would result in a \$300 increase or decrease in comprehensive loss.

##### *(b) Credit Risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and equity investments. The Company limits exposure to credit risk by maintaining its cash with chartered Canadian financial institutions. The Company does not have cash or equity investments that are invested in asset-based commercial paper.

##### *(c) Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At September 30, 2022, the Company had cash of \$1,120,632 (December 31, 2021: \$25,795) available to apply against short-term business requirements and current liabilities of \$162,863 (December 31, 2021: \$294,671). All of the Company's financial liabilities have contractual maturities of less than 45 days and are subject to normal trade terms.

#### **Determination of Fair value**

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. All financial instruments at September 30, 2022 are carried at amortized cost, apart from the equity investment in a public company with shares in an active market of \$3,000 (December 31, 2021: \$5,625), which is carried at fair value. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The statement of financial position carrying amounts for cash, accounts payables and accrued liabilities, and due to related parties approximates fair value due to their short-term nature. 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.

The Company has made the following designations of its financial instruments: cash measured at FVTPL, equity investments measured at FVTOCI, and receivables, accounts payable and accrued liabilities and due to related parties measured at amortized cost.

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#### **10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** *(cont'd)*

##### **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:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2	Inputs other than quoted prices included in 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	Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The equity investment in Damara is based on a quoted price and is therefore considered to be Level 1.

The equity investment in Voyager was recorded at fair value when it was received and assessed for impairment as at September 30, 2022 and December 31, 2021. This investment is considered to be Level 3.

#### **11. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to advance its mineral properties. The Company defines its capital as all components of equity. In order to facilitate the management of its capital requirements, the Company prepares periodic budgets that are updated as necessary. The Company manages its capital structure and makes adjustments to it to effectively support the acquisition and exploration of mineral properties. The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for general administrative costs, the Company will spend its existing capital resources and aim to raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes in the Company's approach to capital management during the period. As at September 30, 2022, the Company is not subject to any externally imposed capital requirements. The Company expects its current capital resources to be sufficient to cover its corporate operating costs but not potential future mineral property acquisitions or extensive exploration programs through the next twelve months. As such, the Company will seek to raise additional capital (Note 13) and believes it will be able to do so, but recognizes the uncertainty attached thereto.

#### **12. SEGMENTED REPORTING**

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities. All of the Company's long-term assets and operations are in Canada.

## **RACKLA METALS INC.**

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### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

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#### **13. EVENTS AFTER THE REPORTING DATE**

Subsequent to September 30, 2022, the following event, which has not been disclosed elsewhere in these condensed interim financial statements, has occurred:

The Company announced a proposed a non-brokered private placement of up to 10 million units at \$0.20 per unit, for gross proceeds of up to \$2.0 million. Each unit will consist of one common share of the Company and one half share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share of the Company at \$0.35 for two years from the closing date of the financing. The private placement is subject to acceptance for filing by the TSX Venture Exchange.