



**RACKLA
METALS INC**

(An Exploration Stage Company)

CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2023

(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, 2023. 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)

As at:	September 30, 2023	December 31, 2022
ASSETS		
Current assets		
Cash (Note 4)	\$ 2,659,273	\$ 4,427,903
Equity investments (Note 5)	1,501	3,001
Taxes receivable	157,358	8,329
Prepaid expenses and deposits (Note 13)	265,260	3,300
	3,083,392	4,442,533
Non-current assets		
Deposits (Notes 7 and 13)	101,000	61,000
Equipment (Note 6)	35,853	-
Exploration and evaluation assets (Note 7)	674,028	158,598
	810,881	219,598
TOTAL ASSETS	\$ 3,894,273	\$ 4,662,131
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 848,159	\$ 127,390
Due to related parties (Note 13)	54,699	159,842
Current portion of lease liability (Note 9)	17,497	-
Other liability (Note 10)	114,256	966,025
	1,034,611	1,253,257
Non-current liability		
Lease liability (Note 9)	11,085	-
Total liabilities	1,045,696	1,253,257
Shareholders' equity		
Share capital (Note 11)	16,037,309	13,578,009
Other equity reserves	1,038,709	46,025
Accumulated other comprehensive loss	(58,249)	(56,749)
Deficit	(14,169,192)	(10,158,411)
Total shareholders' equity	2,848,577	3,408,874
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 3,894,273	\$ 4,662,131

APPROVED BY THE BOARD OF DIRECTORS AND AUTHORIZED FOR ISSUE ON NOVEMBER 28, 2023:

"Simon Ridgway"
Simon Ridgway, 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,	
	2023	2022	2023	2022
EXPLORATION EXPENDITURES (Notes 8 and 13)	\$ 3,077,660	\$ 65,775	\$ 3,726,480	\$ 79,547
GENERAL AND ADMINISTRATIVE EXPENSES				
Amortization (Note 6)	5,397	-	9,125	-
Consulting fees	12,500	-	12,500	-
Directors' fees (Note 13)	20,000	-	20,000	-
Interest expense on lease liability (Note 9)	827	-	1,434	-
Legal and audit fees	-	1,000	10,014	5,184
Management fees (Note 13)	10,500	15,000	34,200	45,000
Office and administrative (Note 13)	26,778	8,710	79,474	23,299
Salaries and benefits (Note 13)	50,168	14,119	145,049	46,439
Share-based payments (Notes 12 and 13)	-	-	806,319	-
Shareholder communications (Note 13)	65,987	4,804	199,021	6,608
Transfer agent and regulatory fees (Note 13)	720	1,127	14,076	11,986
Travel and accommodation (Note 13)	12,297	6,867	38,147	25,633
	205,174	51,627	1,369,359	164,149
	(3,282,834)	(117,402)	(5,095,839)	(243,696)
Interest income	15,762	543	75,840	543
Write-off of deferred acquisition costs	-	-	-	(1,271,884)
Loss before income taxes	(3,267,072)	(116,859)	(5,019,999)	(1,515,037)
Deferred income tax recovery (Note 10)	800,980	-	995,994	-
Net loss for the period	\$ (2,466,092)	\$ (116,859)	\$ (4,024,005)	\$ (1,515,037)
Other comprehensive loss				
Items that will not be reclassified subsequently to profit or loss:				
Fair value loss on equity investments (Note 5)	(375)	-	(1,500)	(2,625)
Total comprehensive loss	\$ (2,466,467)	\$ (116,859)	\$ (4,025,505)	\$ (1,517,662)
Basic and diluted loss per share	\$(0.04)	\$(0.00)	\$(0.07)	\$(0.03)
Weighted average number of common shares outstanding	59,502,066	45,461,308	58,637,571	44,456,259

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RACKLA METALS INC.

(An Exploration Stage Company)

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended September 30, 2023 and 2022

(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Other equity reserves			Accumulated other comprehensive income (loss)	Deficit	Total
			Share-based payments	Share purchase warrants	Compensation options			
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)
Balance, September 30, 2022	45,461,308	11,099,893	46,025	-	-	(56,749)	(9,995,061)	1,094,108
Loss for the period	-	-	-	-	-	-	(163,350)	(163,350)
Shares issued on private placements	12,615,000	2,523,000	-	-	-	-	-	2,523,000
Shares issued for property acquisition	120,000	37,200	-	-	-	-	-	37,200
Share issuance costs	-	(82,084)	-	-	-	-	-	(82,084)
Balance, December 31, 2022	58,196,308	13,578,009	46,025	-	-	(56,749)	(10,158,411)	3,408,874
Loss for the period	-	-	-	-	-	-	(4,024,005)	(4,024,005)
Shares issued on private placements	10,569,000	2,536,560	-	105,690	-	-	-	2,642,250
Shares issued for property acquisition	1,705,357	382,000	-	-	-	-	-	382,000
Options exercised	5,000	500	-	-	-	-	-	500
Share issuance costs	-	(460,282)	-	-	94,421	-	-	(365,861)
Transfer of other equity reserve on exercise of options	-	522	(522)	-	-	-	-	-
Fair value of expired options	-	-	(13,224)	-	-	-	13,224	-
Fair value loss on equity investments	-	-	-	-	-	(1,500)	-	(1,500)
Share-based payments	-	-	806,319	-	-	-	-	806,319
Balance, September 30, 2023	70,475,665	\$ 16,037,309	\$ 838,598	\$ 105,690	\$ 94,421	\$ (58,249)	\$ (14,169,192)	\$ 2,848,577

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,	
	2023	2022	2023	2022
Cash provided by (used in):				
OPERATING ACTIVITIES				
Net loss for the period	\$ (2,466,092)	\$ (116,859)	\$ (4,024,005)	\$ (1,515,037)
Items not involving cash:				
Amortization	5,397	-	9,125	-
Write-off of deferred acquisition costs	-	-	-	1,271,884
Deferred income tax recovery	(800,980)	-	(995,994)	-
Share-based payments	-	-	806,319	-
	(3,261,675)	(116,859)	(4,204,555)	(243,153)
Changes in non-cash working capital items:				
Taxes receivable	(118,544)	(2,254)	(149,029)	(2,714)
Prepaid expenses and deposits	50,959	130	(261,960)	390
Accounts payable and accrued liabilities	490,713	49,854	720,769	(17,290)
Due to related parties	19,665	36,298	(105,143)	(114,518)
	(2,818,882)	(32,831)	(3,999,918)	(377,285)
FINANCING ACTIVITIES				
Proceeds from issuance of capital stock	2,786,475	-	2,786,975	1,587,000
Share issuance costs	(365,861)	-	(365,861)	-
Repayment of lease obligation	(4,091)	-	(6,762)	-
	(2,416,523)	-	(2,414,352)	1,587,000
INVESTING ACTIVITIES				
Purchase and lease of equipment	-	-	(9,634)	-
Reclamation deposit	(40,000)	-	(40,000)	-
Acquisition of exploration and evaluation assets	(2,390)	(46,398)	(133,430)	(46,398)
Advance royalty payments	-	(10,000)	-	(10,000)
Deferred acquisition costs	-	-	-	(58,480)
	(42,390)	(56,398)	(183,064)	(114,878)
Increase (decrease) in cash	(444,749)	(89,229)	(1,768,630)	1,094,837
Cash, beginning of period	3,104,022	1,209,861	4,427,903	25,795
Cash, end of period	\$ 2,659,273	\$ 1,120,632	\$ 2,659,273	\$ 1,120,632

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, 2023

(Expressed in Canadian Dollars)

1. CORPORATE INFORMATION

Rackla Metals Inc. (the “Company”) is engaged in the acquisition and exploration of mineral 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. Such adjustments could be material. At September 30, 2023, the Company has not yet achieved profitable operations, has an accumulated deficit of \$14,169,192 (December 31, 2022: \$10,158,411) since inception, and is expected to incur further losses in the development of its business, all of which raise significant doubt about its ability to continue as a going concern. The Company will periodically have to raise additional financing in order 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. While the Company has been successful in securing financings in the past, there is no assurance that 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, 2023

(Expressed in Canadian Dollars)

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) Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.
- ii) 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.

- iii) Although the Company has taken steps to identify any decommissioning liabilities related to mineral properties in which it has an interest, there may be unidentified decommissioning liabilities present.
- iv) 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.
- v) 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 judgment based on historical experiences and other factors including expectation of future events that are believed to be reasonable under the circumstances.
- vi) The Company applies judgment in determining whether a lease contract contains an identified asset, whether they have the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative, that can create an economic incentive to exercise renewal options. Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option
- vii) 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, 2023

(Expressed in Canadian Dollars)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(cont'd)*

The key estimates 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) Option pricing models require the input of highly subjective assumptions, including the expected price volatility and options expected life. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and compensation options.
- ii) The Company uses estimation in determining the incremental borrowing rate used to measure the lease liability. Where the rate implicit in the lease is not readily determinable, the discount rate of the lease obligations is estimated using a discount rate similar to the Company's specific borrowing rate.

4. CASH

Cash at banks is held in interest-bearing and non-interest-bearing accounts. As at September 30, 2023, the Company's cash in hand totaled \$2,659,273, of which \$1,201,043 is reserved for flow-through eligible activities through to the end of the 2024 fiscal year (Note 10).

5. EQUITY INVESTMENTS

As of September 30, 2023, 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, 2023, the carrying amount for the equity investments was \$1,501 (December 31, 2022: \$3,001).

During the period ended September 30, 2023, there was a decrease in fair value of the Damara shares by \$1,500 (2022: \$2,625). This amount was recorded as a fair value loss in other comprehensive loss.

	Damara		Voyager		Total
Balance, December 31, 2021	\$ 5,625		\$ 1		\$ 5,626
Change in fair value	(2,625)		-		(2,625)
Balance, December 31, 2022	3,000		1		3,001
Change in fair value	(1,500)		-		(1,500)
Balance, September 30, 2023	\$ 1,500		\$ 1		\$ 1,501

RACKLA METALS INC.

(An Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2023

(Expressed in Canadian Dollars)

6. EQUIPMENT

	Computer equipment	Right-of-use asset	Total
Cost			
Balance, December 31, 2021 and 2022	\$ -	\$ -	\$ -
Additions	2,996	41,982	44,978
Balance, September 30, 2023	\$ 2,996	\$ 41,982	\$ 44,978
Accumulated amortization			
Balance, December 31, 2021 and 2022	\$ -	\$ -	\$ -
Charge for the period	337	8,788	9,125
Balance, September 30, 2023	\$ 337	\$ 8,788	\$ 9,125
Carrying amounts			
At December 31, 2022	\$ -	\$ -	\$ -
At September 30, 2023	\$ 2,659	\$ 33,194	\$ 35,853

Right-Of-Use Asset

The Company has a two-year lease agreement, beginning May 1, 2023, for a vehicle used for exploration activity. In accordance with *IFRS 16 – Leases*, the Company recognized \$41,982 for a right-of-use asset (“ROU asset”) and \$35,344 for a lease liability (Note 9).

The Company recognizes a ROU asset and a lease liability at the commencement of the lease. The ROU asset is initially measured based on the present value of lease payments, plus initial direct cost, less any incentives received. It is subsequently measured at cost less accumulated depreciation, impairment losses and adjusted for certain remeasurements of the lease liability. The ROU asset is depreciated from the commencement date over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

7. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition costs of its mineral property interests during the period ended September 30, 2023:

	Tombstone Gold Belt	Gossan	Rivier	Total
Balance, December 31, 2021	\$ -	\$ -	\$ 10,001	\$ 10,001
Acquisition costs - cash	121,398	-	-	121,398
Acquisition costs - shares	37,200	-	-	37,200
Advance royalty payment	-	-	10,000	10,000
Write-off acquisition costs	-	-	(20,001)	(20,001)
Balance, December 31, 2022	158,598	-	-	158,598
Acquisition costs - cash	117,010	16,420	-	133,430
Acquisition costs - shares	382,000	-	-	382,000
Balance, September 30, 2023	\$ 657,608	\$ 16,420	\$ -	\$ 674,028

RACKLA METALS INC.

(An Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2023

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (cont'd)

Details of the Company's mineral property interests and option agreement terms are disclosed in full in the financial statements for the year ended December 31, 2022.

Mineral property interests:

- (i) Tombstone Gold Belt Projects – Yukon and Northwest Territories, Canada

Astro Project

In September 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. During the 2022 fiscal year, an initial option payment of 120,000 common shares was made and fair valued at \$37,200 and recorded as an acquisition cost. In September 2023, the Company exercised the option to acquire a 100% interest, subject to a 2.5% NSR royalty interest, in the project by making a payment of \$382,000 with the issuance of 1,705,357 common shares of the Company, paying \$40,000 cash to Orogen for a reclamation bond previously put in place by Orogen with the Northwest Territories mining authority, and incurring exploration expenditures on the project in excess of \$250,000, of which \$382,000 was recorded as an acquisition cost and \$40,000 recorded as a deposit.

During the period ended September 30, 2023, five of the Astro Project claims that were subject to the option agreement with Orogen expired, and the Company staked an additional claim in the Astro Project and recorded \$20,114 in acquisition costs.

HIT Project

In September 2022, the Company entered into an option agreement with Aben Resources Ltd. (now called Aben Minerals Ltd.) to acquire a 100% interest in the HIT Project in the Yukon Territory. During the 2022 fiscal year, an initial \$25,000 cash option payment was made and recorded as an acquisition cost. Subsequent to September 30, 2023, the Company exercised the option to acquire a 100% interest, subject to a 2.5% NSR royalty interest, in the project by making a cash payment of \$25,000, issuing 250,000 common shares of the Company, and incurring exploration expenditures on the project in excess of \$100,000.

SER Project

In September 2022, the Company entered into an option agreement with Sabre Gold Mines Corp. to acquire a 100% interest in the SER Project in the Yukon Territory. During the 2022 fiscal year, an initial \$50,000 cash option payment was made and recorded as an acquisition cost. Subsequent to September 30, 2023, the Company exercised the option to acquire a 100% interest, subject to a 2.5% NSR royalty interest, in the project by making a cash payment of \$150,000 and issuing 250,000 common shares of the Company.

Excite Project

During the period ended September 30, 2023, the Company staked 146 claims in the Tombstone Gold Belt in the Yukon Territory, covering approximately 3,050 hectares, and recorded acquisition costs totalling \$73,092.

Black and Flat Claims

During the period ended September 30, 2023, the Company staked two claim groups in the Tungsten District of the Tombstone Gold Belt in the Northwest Territories, totalling nine claims covering approximately 9,500 hectares, and recorded acquisition costs totalling \$23,804.

RACKLA METALS INC.

(An Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2023

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (cont'd)

(i) Tombstone Gold Belt Projects – Yukon and Northwest Territories, Canada (cont'd)

Rak Main, Jos, and Cinnabar Projects

During the 2022 fiscal year, the Company staked three claim groups in the Tombstone Gold Belt in the Northwest Territories, totalling 14 claims covering approximately 11,500 hectares. During the 2022 fiscal year, \$46,398 was recorded as acquisition costs.

(ii) Gossan Property – Yukon, Canada

During the period ended September 30, 2023, the Company staked 36 claims in the Dawson Range Belt of the Yukon Territory and recorded \$16,420 in acquisition costs.

(iii) Rivier Property – Yukon, Canada

During the period ended September 30, 2023, the Company decided to return the 114 claims comprising the Rivier Property, Yukon to their former owner. The Company wrote off the property's carrying cost of \$20,001 during the 2022 fiscal year.

8. EXPLORATION EXPENDITURES

During the nine-month period ended September 30, 2023, the Company incurred the following exploration expenditures:

	Tombstone Gold Belt Projects	Gossan	Other	Total
Administration	\$ 6,170	\$ 142	\$ 2,369	\$ 8,681
Assays	153,575	8,402	1,826	163,803
Camp expense	1,031,941	22,122	-	1,054,063
Drilling	973,489	-	-	973,489
Field expense	12,747	241	561	13,549
Geological fees	168,436	3,445	9,927	181,808
Geophysical surveys	138,022	-	-	138,022
Salaries and benefits	335,262	18,867	34,389	388,518
Travel	786,516	13,122	4,909	804,547
	\$ 3,606,158	\$ 66,341	\$ 53,981	\$ 3,726,480

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

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

RACKLA METALS INC.

(An Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2023

(Expressed in Canadian Dollars)

9. LEASE LIABILITY

The Company has a two-year lease agreement, beginning May 1, 2023, for a vehicle used for exploration activities. In accordance with *IFRS 16 – Leases*, the Company recognized \$41,982 for a ROU asset and \$35,344 for a lease liability (Note 6).

Lease liability recognized as of May 1, 2023	\$	35,344
Lease payments		(8,196)
Lease interest		1,434
Lease liability recognized as of September 30, 2023	\$	28,582
Current portion	\$	17,497
Long-term portion		11,085
	\$	28,582

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. The incremental borrowing rate is the rate which the operation would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

10. OTHER LIABILITY

Other liability is the liability portion of flow-through shares issued.

Due date	Issued on December 22, 2022	Issued on September 19, 2023	Total
Balance at December 31, 2021	\$ -	\$ -	\$ -
Liability incurred on flow-through shares issued	966,025	-	966,025
Balance at December 31, 2022	966,025	-	966,025
Liability incurred on flow-through shares issued	-	144,225	144,225
Settlement of flow-through share liability on incurring expenditures	(966,025)	(29,969)	(995,994)
Balance at September 30, 2023	\$ -	\$ 114,256	\$ 114,256

Other liabilities arise on the issuance of flow-through shares when the price of each flow-through share exceeds the price of other non-flow-through common shares issued at the same time. The flow-through share liability is settled as eligible flow-through expenditures are incurred with the offset being recorded as a deferred income tax recovery.

RACKLA METALS INC.

(An Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2023

(Expressed in Canadian Dollars)

10. OTHER LIABILITY (cont'd)

On December 22, 2022, the Company closed a flow-through private placement by issuing 11,365,000 common shares at a price of \$0.285 per share for gross flow-through proceeds of \$3,239,025. The flow-through shares were issued at a premium of \$966,025 over market value. The exploration expenditure commitment of \$3,239,025 was renounced as at December 31, 2022 using the look-back rule and therefore must be incurred by December 31, 2023. As at September 30, 2023, the Company had incurred its entire commitment of \$3,239,025.

On September 19, 2023, the Company closed a flow-through private placement by issuing 5,769,000 common shares at a price of \$0.275 per share for gross flow-through proceeds of \$1,586,475. The flow-through shares were issued at a premium of \$144,225 over market value.

As at September 30, 2023, the Company had incurred \$379,663 of its commitment, of which \$329,663 has been recorded as exploration expenditures and \$50,000 recorded as a deposit. Exploration expenditures to fulfill the remaining commitment must be incurred by December 31, 2024. If the Company does not spend these funds in compliance with the Government of Canada flow-through regulations, it may be subject to indemnification or other claims by the flow-through subscribers.

11. SHARE CAPITAL AND RESERVES

(a) Common Shares

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

During the period ended September 30, 2023, the following share capital activity occurred:

- i) The Company closed a brokered private placement financing consisting of 5,769,000 flow-through units at \$0.275 per unit for gross proceeds of \$1,586,475 and 4,800,000 non-flow-through units at \$0.25 per unit for gross proceeds of \$1,200,000. Each flow-through and non-flow-through unit consists of one common share and one share purchase warrant entitling the holder to purchase an additional common share exercisable for two years at a price of \$0.40.

The gross proceeds for the flow-through shares were bifurcated with \$1,384,560 being allocated to share capital, \$144,225 to other liability (Note 10), and \$57,690 to warrants using the residual value method.

The gross proceeds for the non-flow-through shares were bifurcated with \$1,152,000 being allocated to share capital and \$48,000 to warrants using the residual value method.

In connection with these financings, the Company paid an agents' fee of \$122,629 in cash and issued 456,140 compensation options (Note 11(c)). The fair value of the compensation options was \$94,421 and was recorded as a share issuance cost and an offset to other equity reserve. The fair value of each compensation option has been estimated as of the date of the issuance using Black-Scholes and Geske pricing models with the following assumptions: risk-free interest rate of 4.78%, dividend yield of 0%, volatility of 108% and expected life of two years. Other share issuance costs associated with these financings totalled \$242,992.

- ii) The Company issued 1,705,357 common shares with a fair value of \$382,000 pursuant to its option agreement on the Astro Project (Note 7). Share issuance costs associated with this transaction totalled \$240.
- iii) A total of 5,000 share purchase options with an exercise price of \$0.10 per share were exercised for proceeds of \$500.

RACKLA METALS INC.

(An Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2023

(Expressed in Canadian Dollars)

11. SHARE CAPITAL AND RESERVES (cont'd)

(a) Common Shares (cont'd)

During the 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, 2022 to September 30, 2023:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2021	11,630,000	\$0.15
Issued	6,307,500	\$0.35
Exercised	(10,580,000)	\$0.15
Expired	(1,050,000)	\$0.15
Balance, December 31, 2022	6,307,500	\$0.35
Issued	10,569,000	\$0.40
Balance, September 30, 2023	16,876,500	\$0.38

As at September 30, 2023, the following share purchase warrants were outstanding:

Expiry date	Number of warrants	Exercise price
December 22, 2024	6,307,500	\$0.35
September 19, 2025	10,569,000	\$0.40
	16,876,500	

(c) Compensation Options

During the period ended September 30, 2023, a total of 456,140 compensation options with an exercise price of \$0.25 per option and expiry date of September 19, 2025 were granted. Each compensation option is exercisable to purchase one common share of the Company and one share purchase warrant. Each share purchase warrant is exercisable to purchase one common share of the Company at \$0.40 until September 19, 2025.

There were no compensation options granted or outstanding during the period ended September 30, 2022.

Compensation options outstanding as of September 30, 2023 totaled 456,140 (December 31, 2022: Nil).

RACKLA METALS INC.

(An Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2023

(Expressed in Canadian Dollars)

12. 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, 2023:

Expiry date	Exercise price	Opening balance	During the period			Closing balance	Vested and exercisable
			Granted	Exercised	Expired / forfeited		
January 9, 2025	\$0.365	-	200,000	-	-	200,000	200,000
May 2, 2029	\$0.10	410,000	-	(5,000)	-	405,000	405,000
May 27, 2030	\$0.14	25,000	-	-	-	25,000	25,000
January 9, 2033	\$0.365	-	2,320,000	-	(40,000)	2,280,000	2,280,000
		435,000	2,520,000	(5,000)	(40,000)	2,910,000	2,910,000
Weighted average exercise price		\$0.10	\$0.37	\$0.10	\$0.37	\$0.33	\$0.33

Fair Value of Options Issued During the Period

The weighted average fair value at grant date of options granted during the period ended September 30, 2023 was \$0.32 per option.

The weighted average remaining contractual life of the options outstanding at September 30, 2023 is 8.20 years (December 31, 2022: 6.40).

Options Issued to Employees

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Options Issued to Non-Employees

Options issued to non-employees are measured based on the fair value of the goods or services received at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted using the Black-Scholes option pricing model.

The model inputs for options granted during the period ended September 30, 2023 included:

Grant date	Expiry date	Share price at grant date	Exercise price	Risk-free interest rate	Expected life	Volatility factor	Dividend yield
Jan 10, 2023	Jan 9, 2025	\$0.36	\$0.365	3.83%	2 years	103%	0%
Jan 10, 2023	Jan 9, 2033	\$0.36	\$0.365	3.10%	10 years	106%	0%

RACKLA METALS INC.

(An Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2023

(Expressed in Canadian Dollars)

12. SHARE-BASED PAYMENTS (cont'd)

Fair Value of Options Issued During the Period (cont'd)

The expected volatility is based on the historical volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information. The risk-free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

Expenses Arising from Share-based Payments Transactions

Total expenses arising from the share-based payment transactions related to the granting of stock options and recognized as part of share-based payments expense during the period ended September 30, 2023 was \$806,319 (2022: \$Nil).

As of September 30, 2023, there were no unrecognized costs related to share-based payment awards.

13. RELATED PARTY TRANSACTIONS

The Company had transactions during the periods ended September 30, 2023 and 2022 with related parties consisting of directors, officers and the following companies with common directors:

<u>Related party</u>	<u>Nature of transactions</u>
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
Hephaestus Consulting Services Inc. ("Hephaestus")	Directors' fees

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, 2023 and 2022, the Company reimbursed Gold Group for the following costs:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
General and administrative expenses:				
Office and administration	\$ 24,517	\$ 8,608	\$ 64,264	\$ 23,936
Salaries and benefits	47,255	14,119	145,049	46,439
Shareholder communications	12,833	4,324	26,411	5,158
Transfer agent and regulatory fees	86	225	3,933	2,735
Travel and accommodation	12,297	2,860	31,018	11,147
	<u>\$ 96,988</u>	<u>\$ 30,136</u>	<u>\$ 270,675</u>	<u>\$ 89,415</u>
Exploration expenditures	<u>\$ 37,485</u>	<u>\$ 2,660</u>	<u>\$ 91,869</u>	<u>\$ 2,660</u>
Exploration and evaluation acquisition costs	<u>\$ 2,390</u>	<u>\$ 2,901</u>	<u>\$ 2,390</u>	<u>\$ 2,901</u>

RACKLA METALS INC.

(An Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2023

(Expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS (cont'd)

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, Vice President Corporate Development, and Corporate Secretary.

- (b) Prepaid expenses as of September 30, 2023 include \$9,592 (December 31, 2022: \$3,300) paid to Gold Group.
- (c) Deposits as of September 30, 2023 consist of \$61,000 (December 31, 2022: \$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, 2023 consist of \$43,270 (December 31, 2022: \$82,959) due to Gold Group, \$3,675 (December 31, 2022: \$69,876) owed to Mill Street, a company owned by the Chief Executive Officer of the Company, for management fees, \$5,250 (December 31, 2022: \$Nil) to Hephaestus, a company controlled by Timothy Beale, a Director of the Company, for directors' fees, \$2,504 (December 31, 2022: \$Nil) to the Vice President Exploration for expense reimbursement, and \$Nil (December 31, 2022: \$7,007) owed to Radius for geological services provided by a Radius employee. 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.

These transactions are measured at fair value of the services rendered.

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,	
	2023	2022	2023	2022
Exploration expenditures:				
Geological fees	\$ -	\$ 3,100	\$ 1,800	\$ 3,100
Salaries and benefits	48,000	-	133,169	-
General and administrative expenses:				
Management fees	10,500	15,000	34,200	45,000
Salaries and benefits	22,600	2,708	70,929	9,750
Share-based payments (value of stock options granted and vested)	-	-	462,840	-
	\$ 81,100	\$ 20,808	\$ 702,938	\$ 57,850

During the period ended September 30, 2023, four Directors of the Company that were not included in key management personnel were paid directors' fees of \$5,000 each (2022: \$Nil).

RACKLA METALS INC.

(An Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2023

(Expressed in Canadian Dollars)

14. 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.

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 \$150 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.

RACKLA METALS INC.

(An Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2023

(Expressed in Canadian Dollars)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

(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. As at September 30, 2023, the Company had working capital of \$2,048,781 (December 31, 2022: \$3,189,276). All of the Company's financial liabilities, with the exception of a flow-through liability (Note 10) and lease liability (Note 9), 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, 2023 are carried at amortized cost, apart from the equity investment in a public company with shares in an active market of \$1,500 (December 31, 2022: \$3,000), 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.

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, 2023 and December 31, 2022. This investment is considered to be Level 3.

RACKLA METALS INC.

(An Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2023

(Expressed in Canadian Dollars)

15. 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 on-going basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended September 30, 2023. The Company's investment policy is to hold cash in interest-bearing bank accounts and/or highly liquid short-term interest-bearing investments with maturities of one year or less and which can be liquidated at any time without penalties. The Company currently is not subject to any externally imposed capital requirements. The Company expects its current capital resources to be sufficient to cover its existing flow-through expenditure commitment but not corporate operating costs and other potential exploration and/or mineral property acquisition costs through the next twelve months. As such, the Company will seek to raise additional capital and believes it will be able to do so, but recognizes the uncertainty attached thereto. Actual funding requirements may vary from those planned due to a number of factors, including the level of exploration activity and possible property acquisition opportunities.

16. 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.