



# KAINANTU

**KAINANTU RESOURCES LTD.**

## **INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Presented in United States Dollars)**

**March 31, 2023**

**(Unaudited, Prepared by Management)**

Reader's Note:

These unaudited interim condensed consolidated financial statements have been prepared by management and have not been reviewed by the Company's auditor

# KAINANTU RESOURCES LTD.

## Consolidated Statements of Financial Position (Presented in thousands of United States Dollars)

| As at                                             | Note | March 31,<br>2023 | December 31,<br>2022 |
|---------------------------------------------------|------|-------------------|----------------------|
| <b>ASSETS</b>                                     |      |                   |                      |
| <b>Current</b>                                    |      |                   |                      |
| Cash and cash equivalents                         |      | \$ 181            | \$ 311               |
| Receivables                                       |      | 171               | 22                   |
| Prepaid expenses                                  |      | 215               | 169                  |
| <b>Total Current Assets</b>                       |      | <b>567</b>        | <b>502</b>           |
| <b>Non-Current</b>                                |      |                   |                      |
| Deposits and long-term prepaid assets             | 3    | 373               | 373                  |
| Property and equipment                            | 4    | 269               | 283                  |
| Exploration and evaluation assets                 | 5    | 6,517             | 6,198                |
| Investments                                       |      | 266               | 253                  |
| <b>Total Non-Current Assets</b>                   |      | <b>7,425</b>      | <b>7,107</b>         |
| <b>Total Assets</b>                               |      | <b>\$ 7,992</b>   | <b>\$ 7,609</b>      |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |      |                   |                      |
| <b>Current</b>                                    |      |                   |                      |
| Accounts payable and accrued liabilities          |      | \$ 889            | \$ 708               |
| <b>Total Current Liabilities</b>                  |      | <b>889</b>        | <b>708</b>           |
| <b>Shareholders' Equity</b>                       |      |                   |                      |
| Share capital                                     | 6    | 9,390             | 8,976                |
| Share subscription received in advance            | 6    | -                 | 55                   |
| Reserves                                          | 6    | 1,443             | 1,284                |
| Accumulated other comprehensive income            |      | 74                | 79                   |
| Deficit                                           |      | (3,804)           | (3,493)              |
| <b>Total Shareholders' Equity</b>                 |      | <b>7,103</b>      | <b>6,901</b>         |
| <b>Total Liabilities and Shareholders' Equity</b> |      | <b>\$ 7,992</b>   | <b>\$ 7,609</b>      |

|                           |      |
|---------------------------|------|
| Nature of business        | 1    |
| Continuance of operations | 2 c. |
| Subsequent events         | 8    |

Approved and authorized by the board of directors on May 30, 2023:

|                            |          |                             |          |
|----------------------------|----------|-----------------------------|----------|
| "Matthew Salthouse"        |          | "Marcus Engelbrecht"        |          |
| _____<br>Matthew Salthouse | Director | _____<br>Marcus Engelbrecht | Director |

The accompanying notes are an integral part of these consolidated financial statements

## KAINANTU RESOURCES LTD.

### Consolidated Statements of Loss and Comprehensive Loss

(Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)

| For the Period                                               | Note      | 3 Months<br>ended<br>March 31, 2023 | 3 Months<br>ended<br>March 31, 2022 |
|--------------------------------------------------------------|-----------|-------------------------------------|-------------------------------------|
| <b>EXPENSES</b>                                              |           |                                     |                                     |
| Accounting and legal                                         | \$        | 33                                  | \$ 3                                |
| Corporate and administrative                                 |           | 81                                  | 54                                  |
| Board and management                                         |           | 83                                  | 89                                  |
| Corporate relations                                          |           | 61                                  | -                                   |
| Marketing and investor relations                             |           | 53                                  | 113                                 |
| Share based payments                                         |           | -                                   | 4                                   |
| <b>Total Expenses</b>                                        |           | <b>(311)</b>                        | <b>(263)</b>                        |
| <b>Other Items</b>                                           |           |                                     |                                     |
| Foreign exchange (gain) loss                                 | \$        | -                                   | \$ -                                |
| <b>Loss for the Quarter</b>                                  |           | <b>(311)</b>                        | <b>(263)</b>                        |
| Foreign exchange translation                                 |           | (5)                                 | 1                                   |
| <b>Comprehensive Loss for the Quarter</b>                    | <b>\$</b> | <b>(316)</b>                        | <b>\$ (262)</b>                     |
| Basic net loss per common share                              | \$        | (0.004)                             | \$ (0.004)                          |
| Weighted average number of common shares outstanding – basic |           | 81,433,872                          | 58,972,710                          |

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

# KAINANTU RESOURCES LTD.

## Consolidated Statements of Cash Flows (Presented in thousands of United States Dollars)

| For the period                                       | Note | 3 Months<br>ended<br>March 31, 2023 | 3 Months<br>ended<br>March 31, 2022 |
|------------------------------------------------------|------|-------------------------------------|-------------------------------------|
| <b>OPERATING ACTIVITIES</b>                          |      |                                     |                                     |
| Loss for the period                                  | \$   | (311)                               | \$ (263)                            |
| Items not affecting cash                             |      |                                     |                                     |
| Share-based payments                                 |      | -                                   | 4                                   |
| <b>Changes in non-cash operating working capital</b> |      |                                     |                                     |
| Receivables                                          |      | (12)                                | (10)                                |
| Prepaid expenses                                     |      | (46)                                | (162)                               |
| Accounts payable and accrued liabilities             |      | 205                                 | (44)                                |
| Due from/to related parties                          |      | (160)                               | (52)                                |
| <b>Cash used in Operating Activities</b>             |      | <b>(324)</b>                        | <b>(527)</b>                        |
| <b>INVESTING ACTIVITIES</b>                          |      |                                     |                                     |
| Payment for exploration and evaluation assets        | \$   | (303)                               | \$ (593)                            |
| Payments from plant and equipment                    |      | (2)                                 | (11)                                |
| Investment                                           |      | (13)                                | -                                   |
| <b>Cash used in Investing Activities</b>             |      | <b>(318)</b>                        | <b>(604)</b>                        |
| <b>FINANCING ACTIVITIES</b>                          |      |                                     |                                     |
| Proceeds from private placement financing            | \$   | 528                                 | \$ 2,018                            |
| Share issuance costs                                 |      | (11)                                | (122)                               |
| <b>Cash provided by Financing Activities</b>         |      | <b>517</b>                          | <b>1,896</b>                        |
| Effects of exchange rates on cash                    |      | (5)                                 | 1                                   |
| <b>Change in cash</b>                                |      | <b>(130)</b>                        | <b>765</b>                          |
| <b>Cash, beginning the period</b>                    |      | <b>311</b>                          | <b>649</b>                          |
| <b>Cash, end of period</b>                           | \$   | <b>181</b>                          | \$ <b>1,415</b>                     |

The accompanying notes are an integral part of these consolidated financial statements

## KAINANTU RESOURCES LTD.

### Consolidated Statements of Changes in Shareholders' Equity

For the 3 months ended March 31, 2023 and year ended 31 December 31, 2022

(Presented in thousands of United States Dollars; actual share numbers presented)

|                                        | Notes | Share Capital<br>Number of<br>shares | Amount<br>\$ | Share<br>subscriptions<br>received in<br>advance<br>\$ | Reserves<br>\$ | Accumulated Other<br>Comprehensive<br>Income / (Loss)<br>\$ | Deficit<br>\$  | Total<br>Shareholders'<br>Equity<br>\$ |
|----------------------------------------|-------|--------------------------------------|--------------|--------------------------------------------------------|----------------|-------------------------------------------------------------|----------------|----------------------------------------|
| <b>Balance – December 31, 2021</b>     |       | <b>45,305,733</b>                    | <b>5,975</b> | <b>169</b>                                             | <b>840</b>     | <b>81</b>                                                   | <b>(2,008)</b> | <b>5,057</b>                           |
| Private Placement                      | 6     | 15,387,492                           | 2,115        | (169)                                                  | 73             | -                                                           | -              | 2,019                                  |
| Share issuance costs (warrants & cash) | 6     | -                                    | (187)        | -                                                      | 53             | -                                                           | -              | (134)                                  |
| Private Placement                      | 6     | 15,635,790                           | 1,140        | -                                                      | 114            | -                                                           | -              | 1,254                                  |
| Share issuance costs (warrants & cash) | 6     | -                                    | (67)         | -                                                      | 23             | -                                                           | -              | (44)                                   |
| Commitment to issue shares             | 6     | -                                    | -            | 55                                                     | -              | -                                                           | -              | 55                                     |
| Share based payments                   | -     | -                                    | -            | -                                                      | 181            | -                                                           | -              | 181                                    |
| Loss for the year                      | -     | -                                    | -            | -                                                      | -              | -                                                           | (1,485)        | (1,485)                                |
| Foreign exchange translation           | -     | -                                    | -            | -                                                      | -              | (2)                                                         | -              | (2)                                    |
| <b>Balance – December 31, 2022</b>     |       | <b>76,329,016</b>                    | <b>8,976</b> | <b>55</b>                                              | <b>1,284</b>   | <b>79</b>                                                   | <b>(3,493)</b> | <b>6,901</b>                           |
| Private Placement                      | 6     | 7,098,940                            | 424          | (55)                                                   | 159            | -                                                           | -              | 528                                    |
| Share issuance costs (cash)            | -     | -                                    | (10)         | -                                                      | -              | -                                                           | -              | (10)                                   |
| Loss for the year                      | -     | -                                    | -            | -                                                      | -              | -                                                           | (311)          | (311)                                  |
| Foreign exchange translation           | -     | -                                    | -            | -                                                      | -              | (5)                                                         | -              | (5)                                    |
| <b>Balance – March 31, 2023</b>        |       | <b>83,427,956</b>                    | <b>9,390</b> | <b>-</b>                                               | <b>1,443</b>   | <b>74</b>                                                   | <b>(3,804)</b> | <b>7,103</b>                           |

The accompanying notes are an integral part of these consolidated financial statements

# KAINANTU RESOURCES LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2023

*(Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)*

### 1. NATURE OF BUSINESS

Kainantu Resources Ltd. ("KRL" or the "Company") was incorporated under the Business Corporations Act (British Columbia) on July 4, 2018 and is listed on the TSX Venture Exchange (the "TSX-V") on the Frankfurt Stock Exchange ("FSE") under the symbol "6JO". The principal office is #17-00 16 Collyer Quay, Singapore 049318.

During the period ended March 31, 2023, the Company completed the second Tranche of a private placement outlined in Note 6 issuing 7,098,940 common shares and 7,098,940 share purchase warrants of the Company and received subscription funds totalling CAD \$0.78 million.

### 2. BASIS OF PREPARATION

#### a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting and based on principles of IFRS as issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements should be read in conjunction with the annual audited consolidated financial statements for the period ended December 31, 2022, which include all of the significant accounting policies, and have been prepared in accordance with the same methods of application.

These interim consolidated financial statements were approved by the board of directors on May 30, 2023.

#### b. Basis of measurement

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

#### c. Continuation of Operations

These interim condensed consolidated financial statements are prepared on a going concern basis, which assumes that the Group will be able to meet its obligations and continue its operations for its next fiscal year. Realisation values may be substantially different from the carrying values shown and these consolidated financial statements do not include adjustments that would be necessary if the going concern assumption is not appropriate.

The Group's continuing operations and its ability to meet mineral property and other commitments are dependent upon the ability of the Group to continue to raise additional equity or debt financing and to seek joint venture partners. Although the Group has been successful at raising capital in the past, there is no assurance that the Group will be able to raise adequate financing on terms that are acceptable to the Group, if at all. Based on its current plans, budgeted expenditures, and cash requirements, management believes the Group would need to raise additional capital to accomplish its business objectives thereafter.

# KAINANTU RESOURCES LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2023

*(Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)*

### 2. BASIS OF PREPARATION (Continued)

#### d. Significant Accounting Estimates and Judgments

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates and exercise judgement in applying the Group's policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

#### e. Presentation currency

These consolidated financial statements are presented in thousands of United States Dollars ("USD") which differs from the Company's functional currency Canadian Dollars. Functional currencies of each entity are set out below.

##### Foreign currencies

Transactions in foreign currencies are initially recorded by each entity in the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. All differences are taken to profit or loss.

Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in profit or loss or other comprehensive income / (loss) are also recognized in profit or loss or other comprehensive income / (loss), respectively).

##### Translation of foreign operations

The financial position of the subsidiary, whose functional currency is different from the reporting currency, are translated as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that financial period end;
- income and expenses are translated at average exchange rates for the period, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions;
- equity transactions are translated using the exchange rate at the date of the transactions; and
- all resulting exchange differences are recognized in other comprehensive income and reported as a separate component of equity.

# KAINANTU RESOURCES LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2023

(Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)

### 2. BASIS OF PREPARATION (Continued)

#### f. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group assets and liabilities, revenues, expenses and cash flows relating to intra-group transactions are eliminated.

| Entity                          | Ownership % | Country of incorporation | Nature / Activities | Functional Currency |
|---------------------------------|-------------|--------------------------|---------------------|---------------------|
| Kainantu Resources Ltd          | -           | Canada                   | Parent company      | CAD                 |
| Kainantu Resources Pte Ltd      | 100%        | Singapore                | Holding company     | SGD                 |
| Kainantu Resources Limited      | 100%        | Papua New Guinea         | Mineral exploration | USD                 |
| KRL Kili Teke Resources Limited | 100%        | Papua New Guinea         | Dormant             | USD                 |

### 3. DEPOSITS AND LONG TERM PREPAIDS

|                               | March 31, 2023 | December 31, 2022 |
|-------------------------------|----------------|-------------------|
| License security deposits     | \$ 14          | 14                |
| Property acquisition deposits | 100            | 100               |
| Long-term prepaid assets      | 259            | \$ 259            |
|                               | <b>\$ 373</b>  | <b>\$ 373</b>     |

Deposits include security deposits pertaining to exploration licenses, certain prepaid assets that will be reclassified to exploration and evaluation assets and a deposit in relation to the acquisition of the Kili Teke project.

### 4. PROPERTY AND EQUIPMENT

| Cost                     | Office Equipment \$ | Machinery & Equipment \$ | Motor Vehicles \$ | Construction in Progress \$ | Total \$   |
|--------------------------|---------------------|--------------------------|-------------------|-----------------------------|------------|
| <b>December 31, 2021</b> | <b>17</b>           | <b>77</b>                | <b>91</b>         | <b>269</b>                  | <b>454</b> |
| Additions                | 4                   | 9                        | 14                | -                           | 27         |
| Disposals                | -                   | -                        | -                 | (2)                         | (2)        |
| Transfer                 | -                   | 189                      | -                 | (189)                       | -          |
| Impairment               | -                   | -                        | -                 | (78)                        | (78)       |
| <b>December 31, 2022</b> | <b>21</b>           | <b>275</b>               | <b>105</b>        | <b>-</b>                    | <b>401</b> |
| Additions                | 2                   | -                        | -                 | -                           | 2          |
| Disposals                | -                   | -                        | -                 | -                           | -          |
| <b>March 31, 2023</b>    | <b>23</b>           | <b>275</b>               | <b>105</b>        | <b>-</b>                    | <b>403</b> |



# KAINANTU RESOURCES LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2023

(Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)

### 4. PROPERTY AND EQUIPMENT (Continued)

| Accumulated Depreciation | Office Equipment<br>\$ | Machinery & Equipment<br>\$ | Motor Vehicles<br>\$ | Construction in Progress<br>\$ | Total<br>\$ |
|--------------------------|------------------------|-----------------------------|----------------------|--------------------------------|-------------|
| <b>December 31, 2021</b> | <b>5</b>               | <b>7</b>                    | <b>48</b>            | <b>-</b>                       | <b>60</b>   |
| Depreciation             | 6                      | 22                          | 30                   | -                              | 58          |
| <b>December 31, 2022</b> | <b>11</b>              | <b>29</b>                   | <b>78</b>            | <b>-</b>                       | <b>118</b>  |
| Depreciation             | 2                      | 5                           | 9                    | -                              | 16          |
| <b>March 31, 2023</b>    | <b>13</b>              | <b>34</b>                   | <b>87</b>            | <b>-</b>                       | <b>134</b>  |
| <b>December 31, 2022</b> | <b>10</b>              | <b>246</b>                  | <b>27</b>            | <b>-</b>                       | <b>283</b>  |
| <b>March 31, 2023</b>    | <b>10</b>              | <b>241</b>                  | <b>18</b>            | <b>-</b>                       | <b>269</b>  |

Depreciation on certain office equipment, machinery and equipment and motor vehicles is capitalized to exploration and evaluation assets.

During the year ended December 31, 2022, \$2 of Construction in Progress was disposed for the original purchase price. During the year ended December 31, 2022, certain equipment was transferred from Construction in Progress to Machinery and Equipment and an Impairment Loss was recognised for \$78 related to Construction in Progress the Company no longer plans to complete. These assets were not being amortized as they were not ready for their intended use.

### 5. EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Group has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its assets are in good standing.

|                          | Kainantu<br>\$ | May River<br>\$ | Total<br>\$  |
|--------------------------|----------------|-----------------|--------------|
| <b>December 31, 2021</b> | <b>4,165</b>   | <b>1</b>        | <b>4,166</b> |
| Additions                | 2,032          | -               | 2,032        |
| Impairment               | -              | -               | -            |
| <b>December 31, 2022</b> | <b>6,197</b>   | <b>1</b>        | <b>6,198</b> |
| Additions                | 319            | -               | 319          |
| <b>December 31, 2023</b> | <b>6,516</b>   | <b>1</b>        | <b>6,517</b> |

Additions included \$16 of capitalized depreciation (2022 - \$13).

# KAINANTU RESOURCES LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2023

*(Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)*

### 6. SHARE CAPITAL

The Company is authorized to issue unlimited common shares without a par value.

As at March 31, 2023, 83,427,956 common shares were issued and outstanding with 3,635,182 common shares held in escrow.

On January 4, 2022 the Company completed the first tranche of a private placement with the Company issuing 9,268,825 common shares and 9,268,825 share purchase warrants for total proceeds of \$1.31 million (CAD \$1.67 million). The Company had received share subscriptions of \$169 (CAD \$216) in advance at December 31, 2021. Each warrant entitles the holder to acquire a common share of the Company at an exercise price of CAD \$0.36 per common share until January 4, 2025.

The Company issued 533,798 warrants with a value of \$32 to certain finders. Each warrant entitles the holder to acquire a common share of the Company at an exercise price of CAD \$0.36 per common share until January 4, 2025. The Company paid cash finders fees of \$75 and incurred additional issuance costs of \$7 related to the private placement.

The second tranche of the private placement was completed on January 21, 2022 with the Company issuing a further 6,118,668 common shares and 6,118,668 share purchase warrants for total proceeds of \$0.88 million (CAD \$1.10 million). Each warrant entitles the holder to acquire a common share of the Company at an exercise price of CAD \$0.36 per common share until January 21, 2025. The warrants were assigned a value of \$73 under the residual method.

The Company also issued 327,120 warrants with a value of \$21 to certain finders. Each warrant entitles the holder to acquire a common share of the Company at an exercise price of CAD \$0.36 per common share until January 21, 2025. The Company paid cash finders fees of \$47 and incurred additional issuance costs of \$5 related to the private placement.

On November 3, 2022, the first tranche of a private placement was completed. The Company issued 15,635,790 common shares and 15,635,790 share purchase warrants for total proceeds of \$1.25 million (CAD \$1.72 million). Each warrant entitles the holder to acquire a common share of the Company at an exercise price of CAD \$0.22 per common share until November 3, 2025.

The Company issued 538,527 warrants with a value of \$23 to certain finders. Each warrant entitles the holder to acquire a common share of the Company at an exercise price of CAD \$0.22 per common share until November 3, 2025. The Company paid cash finders fees of \$44 related to the private placement.

On January 24, 2023 the second tranche of a private placement including CAD \$216k received for share subscriptions in advance was completed. The Company issued 9,268,825 common shares and 9,268,825 share purchase warrants for total proceeds of \$0.53 million (CAD \$0.78 million). Each warrant entitles the holder to acquire a common share of the Company at an exercise price of CAD \$0.36 per common share until January 4, 2025. The warrants were assigned a value of \$159 under the residual method.

The Company employed the Black-Scholes option-pricing model to value the finders warrants, with the warrants issued in the year ended December 31, 2022 using the following assumptions:

# KAINANTU RESOURCES LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2023

(Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)

### 6. SHARE CAPITAL (Continued)

|                                                     | Finders warrants<br>– Tranche 1<br>issued 4/01/22 | Finders warrants<br>– Tranche 2<br>issued 21/01/22 | Finders warrants<br>– Tranche 1<br>issued 3/11/22 |
|-----------------------------------------------------|---------------------------------------------------|----------------------------------------------------|---------------------------------------------------|
| <b>Assumptions:</b>                                 |                                                   |                                                    |                                                   |
| Risk-free interest rate                             | 1.10%                                             | 1.42%                                              | 4.03%                                             |
| Expected life of options                            | 3 years                                           | 3 years                                            | 3 years                                           |
| Expected volatility (based on comparable companies) | 96%                                               | 96%                                                | 120%                                              |
| Dividend yield                                      | Nil                                               | Nil                                                | Nil                                               |
| Forfeiture rate                                     | 0.0%                                              | 0.0%                                               | 0.0%                                              |
| Exercise price                                      | CAD \$0.36                                        | CAD \$0.36                                         | CAD \$0.22                                        |
| Share price on grant date                           | CAD \$0.17                                        | CAD \$0.18                                         | CAD \$0.10                                        |
| <b>Fair value per warrant</b>                       | <b>CAD \$0.08</b>                                 | <b>CAD \$0.08</b>                                  | <b>CAD \$0.06</b>                                 |

As at December 31, 2022 the Company had received \$55 for share subscriptions in advance from the January 2023 private placement.

#### Share purchase warrants

Details of the status of the share purchase warrants are as follows:

|                                   | 2023               |                                           | 2022               |                                           |
|-----------------------------------|--------------------|-------------------------------------------|--------------------|-------------------------------------------|
|                                   | Number of Warrants | Weighted Average Exercise Price<br>CAD \$ | Number of Warrants | Weighted Average Exercise Price<br>CAD \$ |
| Outstanding, beginning of period  | 44,649,627         | 0.31                                      | 12,226,900         | 0.38                                      |
| Granted                           | -                  | -                                         | 15,387,492         | 0.36                                      |
| Granted                           | -                  | -                                         | 860,918            | 0.36                                      |
| Granted                           | -                  | -                                         | 15,635,790         | 0.22                                      |
| Granted                           | -                  | -                                         | 538,527            | 0.22                                      |
| Granted                           | 7,098,940          | 0.22                                      | -                  | -                                         |
| <b>Outstanding, end of period</b> | <b>51,748,567</b>  | <b>0.30</b>                               | <b>44,649,627</b>  | <b>0.31</b>                               |

# KAINANTU RESOURCES LTD.

## Notes to the Interim Condensed Consolidated Financial Statements March 31, 2023

*(Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)*

### 6. SHARE CAPITAL (Continued)

The following share purchase warrants were outstanding and exercisable as at March 31, 2023:

| Expiry Date                      | Exercise Price | Number of Warrants | Remaining Contractual Life (Years) |
|----------------------------------|----------------|--------------------|------------------------------------|
| December 3, 2023                 | CAD \$0.40     | 10,536,200         | 0.68                               |
| December 3, 2023                 | CAD \$0.20     | 1,200,700          | 0.68                               |
| December 3, 2023                 | CAD \$0.40     | 490,000            | 0.68                               |
| January 4, 2025                  | CAD \$0.36     | 9,268,825          | 1.77                               |
| January 4, 2025                  | CAD \$0.36     | 533,798            | 1.77                               |
| January 21, 2025                 | CAD \$0.36     | 6,118,667          | 1.81                               |
| January 21, 2025                 | CAD \$0.36     | 327,120            | 1.81                               |
| November 3, 2025                 | CAD \$0.22     | 15,635,790         | 2.60                               |
| November 3, 2025                 | CAD \$0.22     | 538,527            | 2.60                               |
| January 24, 2026                 | CAD \$0.22     | 7,098,940          | 2.82                               |
| <b>Total</b>                     |                | <b>51,748,567</b>  |                                    |
| Weighted average years to expiry |                |                    | 1.78                               |

#### Stock option plan

The Company currently has a 10% Employee Stock Option Plan, which was last approved by the shareholders of the Company on October 21, 2022. The number of common shares which may be issued pursuant to options previously granted and those granted under the plan is a maximum of 10% of the issued and outstanding common shares at the time of the grant. The options have a maximum term of 10 years. The terms and vesting periods are determined by the Board of Directors. The Company provides share-based payment compensation to its directors, officers, employees, and service providers through grants of stock options.

During the year ended December 31, 2022, the Board of Directors approved the grant of 770,000 stock options to certain directors and officers. 50,000 options may only be exercised if the volume weighted average price ("VWAP") of the Company's common shares is above CAD \$0.21 for a period of ten consecutive days on the TSXV; 360,000 options may only be exercised if the VWAP of the Company's common shares is above CAD \$0.35 for a period of ten consecutive days on the TSXV; and 360,000 options may only be exercised if the VWAP of the Company's common shares is above CAD \$0.55 for a period of ten consecutive days on the TSXV.

During the thirteen months ended December 31, 2021, the Board of Directors approved the grant of 4,255,000 stock options to certain officers, directors, consultants, and employees which vest 33.34% on the grant date and 33.33% annually for two years thereafter.

# KAINANTU RESOURCES LTD.

## Notes to the Interim Condensed Consolidated Financial Statements March 31, 2023

(Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)

### 6. SHARE CAPITAL (Continued)

The continuity of stock options is as follows:

|                                   | 2023              |                                           | 2022              |                                           |
|-----------------------------------|-------------------|-------------------------------------------|-------------------|-------------------------------------------|
|                                   | Number of Options | Weighted Average Exercise Price<br>CAD \$ | Number of Options | Weighted Average Exercise Price<br>CAD \$ |
| Balance, beginning of the period  | 5,071,667         | 0.20                                      | 4,521,667         | 0.20                                      |
| Granted                           | -                 | -                                         | 770,000           | 0.19                                      |
| Cancelled                         | -                 | -                                         | (220,000)         | 0.21                                      |
| Exercised                         | -                 | -                                         | -                 | -                                         |
| <b>Balance, end of the period</b> | <b>5,071,667</b>  | <b>0.20</b>                               | <b>5,071,667</b>  | <b>0.20</b>                               |

The following stock options were outstanding and exercisable as at March 31, 2023:

| Expiry Date                      | Exercise Price | Number of Options | Remaining Contractual Life (Years) |
|----------------------------------|----------------|-------------------|------------------------------------|
| March 14, 2024                   | CAD \$0.10     | 266,667           | 0.96                               |
| December 23, 2025                | CAD \$0.21     | 3,885,000         | 2.73                               |
| August 9, 2026                   | CAD \$0.21     | 150,000           | 3.36                               |
| January 31, 2025                 | CAD \$0.19     | 50,000            | 1.84                               |
| January 31, 2026                 | CAD \$0.19     | 360,000           | 2.84                               |
| January 31, 2027                 | CAD \$0.19     | 360,000           | 3.84                               |
| <b>Total</b>                     |                | <b>5,071,667</b>  |                                    |
| Number of exercisable options    |                | 4,301,667         |                                    |
| Weighted average years to expiry |                |                   | 2.71                               |

The Company recorded \$181 in share-based compensation related to the vested stock options. A Monte Carlo model to value the options granted in 2022 was used due to the fact vesting is dependent on market conditions. A Black-Scholes option-pricing model for options granted in 2021 was used. The following weighted average assumptions were used in the models using the following assumptions:

|                                                     | December 3, 2020  | August 9, 2021    | January 31, 2022  |
|-----------------------------------------------------|-------------------|-------------------|-------------------|
| <b>Assumptions:</b>                                 |                   |                   |                   |
| Risk-free interest rate                             | 0.44%             | 0.89%             | 1.42%             |
| Expected life of options                            | 5 years           | 5 years           | 3-5 years         |
| Expected volatility (based on comparable companies) | 100%              | 100%              | 100%              |
| Dividend yield                                      | Nil               | Nil               | Nil               |
| Forfeiture rate                                     | 0.0%              | 0.0%              | 0.0%              |
| Exercise price                                      | CAD \$0.21        | CAD \$0.21        | CAD \$0.19        |
| Share price on grant date                           | CAD \$0.28        | CAD \$0.20        | CAD \$0.19        |
| <b>Fair value per option granted</b>                | <b>CAD \$0.22</b> | <b>CAD \$0.15</b> | <b>CAD \$0.14</b> |

# KAINANTU RESOURCES LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2023

*(Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)*

### 7. RELATED PARTY TRANSACTIONS

#### Transactions

The Company's related parties consist of entities where the executive officers and directors of the Company are principals. Their position in these entities results in their having control or significant influence over the financial or operating policies of these entities.

#### **Asia Pacific Energy Ventures Pte. Ltd. ("APEV") and Pacific Energy Consulting Limited ("PEC")**

As at March 31, 2023, \$134 (2022 - \$24 due to) was due from APEV and PEC which are related by way of common director.

In the quarter ended 31 March 2023 the Group incurred expenses through fees charged under the shared services agreement totalling \$19 (2022 - \$19) for office space, administrative and provision of other support services provided by APEV and PEC. The agreement and expenses are incurred on arms length terms and have been approved by the independent directors of the Company.

#### **Axis Metals and Mining Pte. Ltd.**

The Company has a consulting agreement with its CEO Matthew Salthouse for a monthly consulting fees of SGD \$13,233 per month (amended January 1, 2022) through Axis Metals and Mining Pte. Ltd. ("Axis"). In addition to the fee a monthly expense allowance of SGD \$600 is payable. During the quarter ended March 31, 2023, the Company incurred \$31k in consulting fees (2022 - \$29k) to Axis with \$8k directly attributable to the exploration programs capitalised to exploration and evaluation assets.

#### **South Street Pte. Ltd.**

The Company has a consulting agreement with its CFO Bart Lendrum for monthly consulting fees of SGD \$18,000 per month through South Street Pte. Ltd. ("South Street"). During the quarter ended March 31, 2023, the Company incurred \$41k in consulting fees (2021 - \$40k) to South Street with \$10k directly attributable to the exploration programs capitalised to exploration and evaluation assets.

#### **Key Management Compensation**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Group as a whole. The Group has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers.

Key management personnel compensation comprised share-based compensation related to the fair value of the stock options granted to these key management personnel and its recognition in these consolidated financial statements on a graded vesting basis. During the quarter ended March 31, 2023, share-based compensation for the key management personnel amounted to \$nil (2022 - \$4).

For the quarter ended March 31, 2023, Director remuneration totalled \$20 (2022 - \$21).

# KAINANTU RESOURCES LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2023

*(Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)*

### 8. SUBSEQUENT EVENTS

#### **Hardrock Limited Acquisition**

On April 3, 2023, the Company announced the completion of the acquisition of the remaining 90% equity interest of Hardrock. Pursuant to a Share Sale Agreement KRL will issue 18 million common shares with a fair value of CAD\$1,440 to the shareholders of Hardrock. In addition, any expenditures incurred by KRL on the May River Project to the date of the acquisition will also be considered as consideration for the acquisition.

Following TSX-V approval, the common shares were issued on April 13, 2023 with the shares subject to a voluntary escrow of twelve months for half the shares and twenty-four months for the remaining shares.

The acquisition has been accounted for as an asset acquisition as Hardrock did not meet the definition of a business as defined under IFRS 3. At the date of these financial statements the fair values of the underlying assets of Hardrock are subject to finalisation.

#### **Convertible Note Funding**

On May 30, 2023 the Company announced a Convertible Note (the "Notes") fundraising to issue Convertible Loan Debentures for a total of up to CAD \$1.8 million, with subscriptions in hand and/or commitments to subscribe already for CAD \$1.4 million.

Key terms of the Notes include; shares of the Singapore subsidiary pledged as security; a term of 36 months; which after 12 months the Notes are convertible into units at CAD \$0.08 per unit; with each unit consisting of a common share and share purchase warrant exercisable at \$0.12 to a common share within the 36 month term; interest rate per annum of 10%; and with acceleration based on weighted average share price hurdles.

The Note contemplates a consolidation of the Company's common shares on a 2:1 basis prior to the 12 month anniversary after closing, which is expected on or before June 10, 2023.

No further events requiring disclosure have occurred.