Kiboko Gold Inc.
Condensed interim Financial Statements
For the three and six months ended June 30, 2023 and 2022
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

KIBOKO GOLD INC.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of Kiboko Gold Inc. (the "Company") have been prepared by and are the responsibility of the Company's management. The unaudited condensed interim financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgments based on information currently available.

The Company's independent auditor has not performed a review of these condensed interim financial statements established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Kiboko Gold Inc.

Condensed Interim Statements of Financial Position
(Unaudited - Expressed in Canadian dollars)
As at

	Note	June 30, 2023	December 31, 2022
		$	$
ASSETS			
Current			
Cash and cash equivalents		**431,138**	1,762,556
Restricted cash	**3**	**11,500**	11,500
Receivables	**4**	**42,710**	272,265
Prepaid expenses and advances	**5**	**59,756**	52,650
Total assets		**545,104**	2,098,971
LIABILITIES			
Current			
Accounts payable and accrued liabilities		**168,624**	161,980
Due to related parties	**8**	**86,534**	21,875
Flow-through liability	**10**	**63,551**	501,671
Total liabilities		**318,709**	685,526
SHAREHOLDERS' EQUITY			
Share capital	**9**	**7,385,209**	7,347,906
Equity reserves	**9**	**327,545**	263,062
Deficit		**(7,486,359)**	(6,197,523)
Total shareholders' equity		**226,395**	1,413,445
Total liabilities and shareholders' equity		**545,104**	2,098,971

Nature of operations and going concern (Note 1)

APPROVED ON BEHALF OF THE BOARD:

Signed "JEREMY LINK" , Director   Signed "JON MORDA" , Director

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

Kiboko Gold Inc.

Condensed Interim Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in Canadian dollars)

		Three months ended June 30,		Six months ended June 30,	
	Note	**2023**	**2022**	**2023**	**2022**
		$	**$**	**$**	**$**
Expenses					
Exploration and evaluation expenses	**6**	**377,614**	1,598,531	**1,401,250**	1,606,165
Consulting and management fees	**8**	**43,220**	10,500	**83,605**	21,000
Share-based compensation	**8,9**	**50,893**	-	**101,786**	-
Professional fees		**40,083**	34,355	**55,137**	40,355
Transfer agent, listing, and filing fees		**13,678**	165,058	**21,651**	199,477
Office expense		**543**	1,011	**1,061**	1,011
Travel expense		**12,769**	-	**13,783**	-
Marketing expense		**20,684**	2,706	**43,589**	2,706
Insurance expense		**6,815**	1,146	**13,691**	1,146
Bank charges		**165**	174	**344**	618
Loss before other items		**566,464**	1,813,481	**1,735,897**	1,872,478
Other items					
Interest expense	**7,10**	**2,150**	31,905	**6,163**	62,907
Interest income		**(4,794)**	-	**(15,104)**	(405)
Settlement of flow-through liability	**10**	**(118,208)**	-	**(438,120)**	-
Realized loss on marketable securities	**5**	**-**	167,767	**-**	167,767
Unrealized loss on marketable securities	**5**	**-**	(85,033)	**-**	(30,766)
Loss and comprehensive loss for the period		**445,612**	1,928,120	**1,288,836**	2,071,981
Basic and diluted loss per share		**0.01**	0.14	**0.03**	0.15
Basic and diluted weighted average common shares outstanding		**44,137,093**	14,148,950	**44,137,093**	13,980,476

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

Kiboko Gold Inc.

Condensed Interim Statements of Cash Flows
(Unaudited - Expressed in Canadian dollars)

	Six months ended June 30, 2023	2022
	$	**$**
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES:		
Loss for the period	**(1,288,836)**	(2,071,981)
Items not involving cash:		
Commons shares issued for exploration and evaluation expenses	**-**	1,500,600
Return of marketable securities for exploration and evaluation expenses	**-**	132,233
Share-based compensation	**101,786**	-
Realized loss on marketable securities	**-**	167,767
Unrealized gain on marketable securities	**-**	(30,766)
Accrued interest expense	**-**	62,907
Settlement of flow-through liability	**(438,120)**	-
Changes in non-cash working capital items:		
Receivables	**229,555**	49,907
Prepaid expenses and advances	**(7,106)**	(29,104)
Accounts payable and accrued liabilities	**6,644**	200,545
Due to related parties	**64,659**	6,609
Change in cash and cash equivalents	**(1,331,418)**	(11,283)
FINANCING ACTIVITIES:		
Issuance of units	-	6,038,400
Share issue costs	-	(442,930)
	-	5,595,470
Change in cash and cash equivalents	**(1,331,418)**	5,584,187
Cash and cash equivalents, beginning of period	**1,762,556**	57,653
Cash and cash equivalents, end of period	**431,138**	5,641,840
Cash and cash equivalents consist of:		
Cash	**71,825**	5,641,840
Cash equivalents	**359,313**	-
	431,138	5,641,840

Supplemental disclosure with respect to cash flows (Note 14)

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

Kiboko Gold Inc.

Condensed Interim Statements of Changes in Shareholders' Equity (Deficiency)
(Unaudited - Expressed in Canadian dollars)
For the three and six months ended June 30, 2023 and 2022

	Number of shares	Share capital	Equity reserves	Deficit	Total shareholders' equity (deficiency)
	#	$	$	$	$
Balance, December 31, 2021	**13,812,001**	**355,601**	-	**(1,621,247)**	**(1,265,646)**
Issuance of units for initial public offering	19,060,000	6,038,400	-	-	6,038,400
Share issue costs	300,000	(488,233)	37,303	-	(450,930)
Flow-through liability	-	(1,273,400)	-	-	(1,273,400)
Share issued for exploration and evaluation expenses	6,002,400	1,500,600	-	-	1,500,600
Units issued on conversion of convertible loans payable	4,442,692	1,110,673	-	-	1,110,673
Units issued on settlement of related party payables	520,000	130,000	-	-	130,000
Loss and comprehensive loss for the period	-	-	-	(2,071,981)	(2,071,981)
Balance, June 30, 2022	**44,137,093**	**7,373,641**	**37,303**	**(3,693,228)**	**3,717,716**
Share issue costs	-	(25,735)	-	-	(25,735)
Share-based compensation	-	-	225,759	-	225,759
Loss and comprehensive loss for the period	-	-	-	(2,504,295)	(2,504,295)
Balance, December 31, 2022	**44,137,093**	**7,347,906**	**263,062**	**(6,197,523)**	**1,413,445**

	Number of shares	Share capital	Equity reserves	Deficit	Total shareholders' equity
	#	$	$	$	$
Balance, December 31, 2022	**44,137,093**	**7,347,906**	**263,062**	**(6,197,523)**	**1,413,445**
Share-based compensation	-	-	101,786	-	101,786
Expiry of compensation warrants	-	37,303	(37,303)	-	-
Loss and comprehensive loss for the period	-	-	-	(1,288,836)	(1,288,836)
Balance, June 30, 2023	**44,137,093**	**7,385,209**	**327,545**	**(7,486,359)**	**226,395**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Kiboko Gold Inc. ("Kiboko" or the "Company") was incorporated on May 2, 2019 and is engaged in the business of mineral exploration in the province of Québec. The Company's head and registered office address is Suite #201, 1405 St. Paul Street, Kelowna, British Columbia, V1Y 2E4. To date, the Company has not earned operating revenue.

On June 29, 2022, the Company completed its initial public offering (the "Offering"), and its common shares commenced trading on the TSX Venture Exchange ("TSXV"). The common shares of the Company trade under the symbol "KIB".

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The Company's continued existence is dependent upon the preservation of its interests in its mineral properties, the establishment of a sufficient quantity of economically recoverable reserves, the ability of the Company to obtain the necessary financing to execute its exploration programs upon the development and future profitable production, or proceeds from the disposition of these assets.

Although the Company has taken steps to verify title to the properties on which it is conducting its exploration activities, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal land claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties.

As at June 30, 2023, the Company had not yet achieved profitable operations and had accumulated losses of $7,486,359 (December 31, 2022 - $6,197,523) since inception and expects to incur further losses in the development of its business, all of which constitutes a material uncertainty which casts significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. There is no assurance that these funds will be available on terms acceptable to the Company or at all. These 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.

There are many external factors that can adversely affect general workforces, economies, and financial markets globally. Examples include, but are not limited to, the COVID-19 global pandemic and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and their effect on the Company's business or ability to raise funds.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), including International Accounting Standard ("IAS") 34 – Interim Financial Reporting. These condensed interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2022, which have been prepared in accordance with IFRS. The accounting policies and methods of application adopted are consistent with those disclosed in Note 2 of the Company's financial statements for the year ended December 31, 2022.

The condensed interim financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value, as disclosed in Note 2 of the Company's annual financial statements for the year ended December 31, 2022.

These condensed interim financial statements were approved by the Company's Board of Directors on August 10, 2023.

(Expressed in Canadian dollars, unless otherwise noted)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Critical Accounting Estimates and Judgments

The preparation of these financial statements requires management to make certain estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses in these condensed interim financial statements. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to the following:

(i) The carrying value of marketable securities that include publicly traded common shares are valued using a quoted share price, and non-traded warrants of a publicly traded company using the Black-Scholes option pricing model as a measurement of fair value.

(ii) Stock options and compensation warrants that are valued using the Black-Scholes option pricing model as a measure of fair value.

(iii) The recognition of deferred tax assets based on the change in unrecognized deductible temporary tax differences.

There are no new accounting pronouncements that would have a significant effect on the financial statements.

3. RESTRICTED CASH

The Company has a term deposit of $11,500 as collateral for its corporate credit card (December 31, 2022 - $11,500).

4. RECEIVABLES

The Company's receivables arise from refundable mining tax credits, goods and services tax ("GST"), and Québec sales tax ("QST") receivables due from Canadian taxation authorities.

	June 30, 2023	December 31, 2022
	$	$
Refundable mining tax credit receivable	**-**	6,075
GST and QST receivables	**42,710**	266,190
	42,710	272,265

5. MARKETABLE SECURITIES

Marketable securities are recorded at fair value through profit and loss. As at December 31, 2021, the Company held 2,000,001 common shares and 1,000,001 warrants in Tres-Or Resources Ltd. ("Tres-Or"), which had an aggregate cost of $300,000. The common shares and warrants were acquired under the option agreement on the Harricana Gold Project between the Company and Tres-Or (Note 6). In June 2022, as part of the option agreement with Tres-Or, the Company transferred to Tres-Or the common shares and surrendered for cancellation the warrants held by the Company.

6. EXPLORATION AND EVALUATION EXPENDITURES

Harricana Gold Project

On June 6, 2019, the Company entered into an option agreement with Tres-Or, which provided Kiboko with the option of acquiring up to a 90% interest in Tres-Or's interest in the Harricana Gold Project (the "Option Agreement"). On November 30, 2021, the terms of the Option Agreement were amended to provide Kiboko with the option of acquiring a 100% interest in Tres-Or's interest in the project. The Harricana Gold Project was formerly known as the Fontana Gold Project but was renamed following the staking of additional adjacent claims. The Harricana Gold Project is located in Duverny Township, Québec.

The Harricana Gold Project is comprised of 234 claims of which 230 claims are 100% held by the Company. On the remaining four claims, the Company holds a 65% interest, with an option to earn the remaining 35%. As per the option agreement originally between Tres-Or and Sementiou Inc. ("Sementiou") dated May 23, 2010, as amended, the Company has the right to earn a further 15% interest for a total 80% interest in these four claims by incurring $4,000,000 in exploration expenditures. The Company has the right to acquire the remaining 20% interest through a business combination with Sementiou or by purchasing any or all of the 20% interest by paying the sum of $1,000,000 for each 1% interest in these four claims.

In July 2022, the Company announced that it had completed the earn-in on Tres-Or's interest in the Harricana Gold Project, having satisfied the requirements in the Option Agreement, including:

(i) Transferred to Tres-Or the 2,000,001 Tres-Or common shares and surrendered for cancellation 1,000,001 warrants of Tres-Or held by Kiboko (completed in June 2022 - see Note 5);
(ii) Completed an initial public offering for gross proceeds of no less than $3,000,000 (completed in June 2022 – see Note 9);
(iv) Made a cash payment of $350,000 to Tres-Or within 30 days of the completion of the initial public offering (completed in July 2022); and
(v) Issued to Tres-Or common shares in Kiboko, equal to a value of $1,500,600, based upon the price at which the non-flow-through common shares were issued pursuant to the Offering (completed in June 2022).

Following the satisfaction of these requirements under the Option Agreement, the claims under the Harricana Gold Project were transferred to the Company.

Royalties

The Harricana Gold Project is subject to various royalties, including a 2% net smelter return ("NSR") royalty held by Globex Mining Enterprises Inc. ("Globex") on 195 of the project's claims, covering approximately 90 km^2, which include the areas in the Company's Phase 1 exploration program. This Globex NSR royalty provides for a customary 90-day right-of-first-refusal ("ROFR") on the sale of any portion of the Globex NSR royalty in favour of Kiboko. Also, it provides an option to buyout one-half of the 2% Globex NSR royalty for $2,000,000 at any time prior to commercial production.

An additional 1.8% NSR royalty on 69 of the project's claims that make up the area referred to as the Chenier claims (the "Chenier Family NSR"). The Chenier Family NSR can be purchased at any time for $360,000, and a 90-day ROFR on any potential sale of this royalty has been granted to the Company.

Sementiou holds a 2% NSR royalty on 106 claims in the areas referred to as East Mac, East Mac Sud, and Duvay North. Kiboko has the right, at any time, to purchase 1% of the royalty for $1,000,000, along with a ROFR on the remaining 1% if Sementiou wishes at any time to sell, transfer, or assign the royalty to a third party.

Finally, a single claim is subject to a 2.5% NSR royalty that allows, at any time, Kiboko to purchase 1% of the royalty for $1,000,000, along with a ROFR on the remaining 1.5%.

(Expressed in Canadian dollars, unless otherwise noted)

6. EXPLORATION AND EVALUATION EXPENDITURES (Cont'd)

Harricana Gold Project Expenditures

Expenditures during the three and six months ended June 30, 2023 and 2022 were as follows:

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
	$	**$**	**$**	**$**
Assay and lab analysis	**71,727**	-	**320,013**	-
Claim renewal fees	**73**	-	**7,091**	-
Consulting geologists	**85,731**	1,303	**164,579**	8,937
Drilling	**180,109**	-	**775,366**	-
Field equipment and consumables	**8,740**	-	**35,946**	-
Line cutting and groundwork	**-**	-	**11,120**	-
Permitting	**-**	-	**360**	-
Property acquisition costs	**-**	1,632,833	**-**	1,632,833
Refundable tax credits	**-**	(35,605)	**-**	(35,605)
Rent	**13,050**	-	**26,100**	-
Travel and accommodations	**14,294**	-	**42,375**	-
Other	**3,890**	-	**18,300**	-
Total expenditures	**377,614**	1,598,531	**1,401,250**	1,606,165

7. CONVERTIBLE LOANS PAYABLE

On December 1, 2020, the Company entered into a convertible loan agreement for proceeds of $500,000. In March 2021, the Company entered into two additional convertible loan agreements with the same terms as the original convertible loan agreement for proceeds of $50,000 and $100,000, respectively.

The convertible loans had an original term of six months, which was subsequently extended, with an annual interest rate of 10%, accruing quarterly. Prior to the repayment date, the holders of the convertible loans had agreed to convert all of the principal and any accrued interest into equity of the Company at a price that was equal to the lesser of:

i. the terms and conditions of the next equity offering of $3,000,000, or greater, to bona fide third-party investors; or
ii. a price that established a $20,000,000 pre-money enterprise value for the Company.

As there was an obligation under the loan to issue a variable number of common shares and there was no unavoidable contractual obligation to settle the loan in cash, the loan was recorded as a financial liability.

On November 30, 2021, the Company entered into amended terms with the convertible loan holders. An additional $325,000 was advanced, the repayment date on the loans was extended to June 30, 2022, and the interest rate was increased from an annual rate of 10% to 12%. Additionally, shareholders of the Company transferred 350,000 existing common shares of Kiboko to a convertible loan holder as a fee for increasing their loan and extending the repayment date.

On June 29, 2022, immediately following the completion of the Company's initial public offering, and pursuant to the terms of the convertible loan agreements, the principal on the convertible loans of $975,000 and accrued interest of $135,673, totalling $1,110,673, was converted to equity through the issuance of an aggregate of 4,442,692 units of the Company at a price of $0.25 per unit, the same terms of the initial public offering (see Note 9).

(Expressed in Canadian dollars, unless otherwise noted)

8. RELATED PARTY TRANSACTIONS

Total amounts due to related parties of $86,534 (December 31, 2022 - $21,875) consisted of outstanding fees for services of $81,039 (December 31, 2022 - $21,875) and $5,495 in reimbursable expenses (December 31, 2022 - $nil) due to officers and directors. In respect of services provided to and expenses incurred on behalf of the Company, the Company owed various related parties the following at June 30, 2023 and December 31, 2022:

	June 30, 2023	December 31, 2022
	$	$
Aslan United Capital Corp. – service fees and expenses (Company controlled by an officer and director)	**14,207**	8,616
BJB Financial Consulting Inc. – service fees and expenses (Company controlled by an officer)	**30,184**	5,250
Aurum Consulting – service fees and expenses (Company controlled by an officer)	**27,704**	8,009
Olivier Féménias – service fees (officer and director)	**14,439**	-
	86,534	21,875

During the year ended December 31, 2022, the Company issued 520,000 units to settle debts with certain related parties totalling $130,000 (Note 9). Aurum Consulting was issued 360,784 units as settlement for related party liabilities accrued in the amount of $90,196. BJB Financial Consulting Inc. was issued 159,216 units as settlement for related party liabilities to BJB Financial Consulting Inc. in the amount of $39,804. There was no gain or loss resulting from these debt settlements.

During the six months ended June 30, 2023, the Company recognized share-based compensation expense of $99,996 (six months ended June 30, 2022 - $nil) for options granted to various officers and directors of the Company.

Compensation of key management personnel of the Company

Key management personnel includes those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of the Board of Directors, and certain corporate officers, including the Chief Executive Officer and Chief Financial Officer, as well as the Vice-President, Geology and Vice-President, Technical Services and Project Evaluation. During the six months ended June 30, 2023, service fees of $234,154 to key management personnel were incurred (six months ended June 30, 2022 - $21,000).

The Company is party to certain management contracts. As of June 30, 2023, these contracts contain minimum commitments of $468,128 and contingent payments of $691,355 upon the occurrence of a change of control. Additionally, any unvested stock options would vest immediately upon a change of control.

9. SHARE CAPITAL AND EQUITY RESERVES

Authorized Share Capital

The Company is authorized to issue an unlimited number of common shares with no par value.

As at June 30, 2023, the Company had 8,389,202 shares subject to escrow pursuant to the requirements of the TSXV, which will be released over 36 months after the listing date of June 29, 2022.

Transactions

During the six months ended June 30, 2023, the Company did not issue any common shares.

During the six months ended June 30, 2022, the Company issued:

a) 8,000,000 units ("Unit") at a price of $0.25 per Unit, 5,520,000 flow-through units ("FT Unit") at a price of $0.29 per FT Unit, and 5,540,000 Québec charity flow-through units ("QCFT Unit") at a price of $0.44 per QCFT Unit, on June 29, 2022, as part of an initial public offering resulting in aggregate gross proceeds of $6,038,400. The Offering was pursuant to the final prospectus of the Company dated June 22, 2022.

   Each Unit was comprised of one common share and one common share purchase warrant of the Company ("Unit Warrant"). Each Unit Warrant is exercisable into one common share of the Company at an exercise price of $0.40 per common share for a period of five years.

   Each FT Unit was comprised of one flow-through common share and one common share purchase warrant of the Company ("FT Unit Warrant"). Each FT Unit Warrant is exercisable into one common share of the Company at an exercise price of $0.45 per common share for a period of five years. The Company recognized a $220,800 flow-through liability from this issuance.

   Each QCFT Unit was comprised of one flow-through common share and one common share purchase warrant of the Company ("QCFT Unit Warrant"). Each QCFT Unit Warrant is exercisable into one common share of the Company at an exercise price of $0.40 per common share for a period of five years. The Company recognized a $1,052,600 flow-through liability from this issuance.

   Commissions, legal fees, and other expenses in the amount of $551,665 were paid in connection with the Offering. This included 300,000 Units issued as corporate finance fees, valued at $75,000. In addition, 958,935 compensation warrants, valued at $37,303, using the Black-Scholes option pricing model, were also issued. The Company used the following assumptions when valuing the compensation warrants: dividend yield of 0%, expected volatility of 70%, risk-free interest rate of 3.12%, and an expected life of one year. Each compensation warrant entitles the holder to purchase one common share at a price of $0.40 for a period of one year from the listing date.

b) 6,002,400 common shares of the Company valued at $1,500,600 were issued to Tres-Or as part of the Option Agreement on the Harricana Gold Project (see Note 6).

c) 4,442,692 units of the Company at a price of $0.25 per unit, the same terms of the Offering, in settlement of outstanding convertible loans payable totalling $1,110,673 in aggregate (see Note 7).

d) 520,000 units of the Company at a price of $0.25 per unit, the same terms of the Offering, in settlement of outstanding related party payables of $130,000 (see Note 8).

(Expressed in Canadian dollars, unless otherwise noted)

9. SHARE CAPITAL AND EQUITY RESERVES (Cont'd)

Stock Options

The Company adopted an incentive stock option plan (the "Option Plan") which allows the Company's Board of Directors, at its discretion and in accordance with TSXV requirements, to grant non-transferable options to purchase common shares to its directors, officers, employees, and consultants to the Company. The number of common shares reserved for issuance cannot exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to ten years from the date of grant, and vesting terms will be determined at the time of grant by the Board of Directors.

On July 22, 2022, the Company granted 3,410,000 stock options at an exercise price of $0.20, expiring on July 22, 2027, with one-third of the option grant vesting on the date of grant, one-third after one year, and the final third after two years. The fair value of the stock options was estimated to be $0.12 per stock option using the Black-Scholes option pricing model with the following assumptions: term of 5 years; expected volatility of 70%; risk-free rate of 2.86%; and an expected dividend yield of 0%.

Changes in stock options for the six months ended June 30, 2023 and the year ended December 31, 2022 were as follows:

	June 30, 2023		December 31, 2022	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Outstanding, beginning	3,410,000	$0.20	-	-
Granted	-	-	3,410,000	$0.20
Outstanding, ending	3,410,000	$0.20	3,410,000	$0.20
Exercisable, ending	1,136,667	$0.20	1,136,667	$0.20

Warrants

Changes in warrants for the six months ended June 30, 2023 and the year ended December 31, 2022, were as follows:

	June 30, 2023		December 31, 2022	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning	25,281,627	$0.41	-	-
Issued	-	-	25,281,627	$0.41
Expired	(958,935)	$0.40		
Outstanding, ending	24,322,692	$0.41	25,281,627	$0.41

During the six months ended June 30, 2023, 958,935 (2022 - nil) warrants expired unexercised. As a result, the Company reclassified $37,303 (2022 - $nil) attributed to these warrants from equity reserves to share capital.

Warrants outstanding as at June 30, 2023, were as follows:

Issue date	Number of warrants	Exercise price	Expiry date
June 29, 2022	18,802,692	$0.40	June 29, 2027
June 29, 2022	5,520,000	$0.45	June 29, 2027
	24,322,692		

(Expressed in Canadian dollars, unless otherwise noted)

10. FLOW-THROUGH LIABILITY

	Flow-through liability
	$
Balance, December 31, 2021	-
Liability recorded on flow-through proceeds	1,273,400
Balance, June 30, 2022	1,273,400
Settlement of flow-through liability	(771,729)
Balance, December 31, 2022	501,671
Settlement of flow-through liability	(438,120)
Balance, June 30, 2023	63,551

On June 29, 2022, the Company raised $1,600,800 through the issuance of 5,520,000 flow-through units and $2,437,600 through the issuance of 5,540,000 Québec charity flow-through units for aggregate proceeds of $4,038,400. A flow-through liability of $1,273,400 was recognized from the issuance of these flow-through units. As of June 30, 2023, the Company had $200,393 remaining to be spent on qualifying flow-through expenditures by December 31, 2023. During the six months ended June 30, 2023, the Company accrued $6,163 in financial expense related to Part XII.6 tax on the issuance of these flow-through units.

11. FINANCIAL INSTRUMENTS

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity, credit, currency, interest rate, and price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has relied upon equity financings and short-term convertible loans to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Company will be able to obtain the required financing in the future on acceptable terms. The Company anticipates it will need additional capital in the future to finance the ongoing exploration of its properties, such capital to be derived from the completion of other equity financings. The Company has limited financial resources, no source of operating income, and has no assurance that additional funding will be available to it for future exploration and development of its projects. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success.

Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and cash equivalents, restricted cash, and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalents, and restricted cash with high-credit quality financial institutions. The Company's cash and cash equivalents, and restricted cash are held with major Canadian-based financial institutions.

Receivables mainly consist of sales tax refunds due from various levels of government in Canada and refundable resource tax and mining tax credits from the government of Québec.

Currency Risk

The Company operates mainly in Canada. The Company mitigates its exposure to foreign currency risk by minimizing the amount of funds in currencies other than the Canadian dollar. The Company does not undertake currency hedging activities but continuously monitors its exposure to foreign exchange risk to determine if any mitigation strategies warrant consideration.

11. FINANCIAL INSTRUMENTS (Cont'd)

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The convertible loans were not exposed to interest rate risk because of the fixed interest rates and short-term maturity of the financial instruments.

Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market, except for share purchase warrants which are measured at fair value using the Black-Scholes option pricing model. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company's investment in marketable securities is classified as FVTPL and is traded on the stock market. The Company closely monitors its marketable securities, stock market movements, and commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Fair Value

The Company's financial instruments consist of cash and cash equivalents, restricted cash, marketable securities, receivables, accounts payable and accrued liabilities, amounts due to related parties, and convertible loans payable. The fair value of these financial instruments approximates their carrying values due to their short term to maturity. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

The fair value of common shares of publicly traded companies held as marketable securities are based on level 1 inputs of the fair value hierarchy. The fair value of non-traded warrants of publicly traded companies held as marketable securities is based on level 2 inputs of the fair value hierarchy.

12. 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 pursue the development of its mineral properties and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. As the Company is in the exploration stage, its principal source of funds is from the issuance of common shares.

In the management of capital, the Company includes the components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture property arrangements, acquire or dispose of assets or adjust the amount of cash and investments. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The management of the Company's capital is reviewed and monitored by the Board of Directors.

The Company is not subject to any externally imposed capital requirements. There were no changes to the Company's approach to capital management during the six months ended June 30, 2023.

13. SEGMENT INFORMATION

The Company operates in one reportable operating segment, being the acquisition and development of exploration and evaluation assets in Canada.

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions of the Company for the six months ended June 30, 2023 were as follows:

a) Reclassified 958,935 compensation warrants with an initial fair value of $37,303 on expiry from equity reserves to share capital (see Note 9).

Significant non-cash transactions of the Company for the six months ended June 30, 2022 were as follows:

b) Recorded a $1,273,400 flow-through liability in relation to the June 29, 2022 Offering (see Notes 9 and 10).

c) Issued 958,935 compensation warrants with a fair value of $37,303 in relation to the June 29, 2022 Offering (see Note 9).

d) Issued 300,000 units of the Company with a fair value of $75,000 for corporate finance fees under the June 29, 2022 Offering (see Note 9).

e) Issued 4,442,692 units of the Company with a fair value of $1,110,673 on conversion of the convertible loans payable (see Notes 7 and 9).

f) Issued 520,000 units of the Company with a fair value of $130,000 to settle amounts due to related parties (see Notes 8 and 9).