



KAINANTU

KAINANTU RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

(Presented in United States Dollars)

For the periods from December 1, 2020 to December 31, 2021 and
January 1, 2020 to November 30, 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Kainantu Resources Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Kainantu Resources Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and November 30, 2020, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the periods from December 1, 2020 to December 31, 2021 and from January 1, 2020 to November 30, 2020 respectively, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and November 30, 2020, and its financial performance and its cash flows for the periods then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

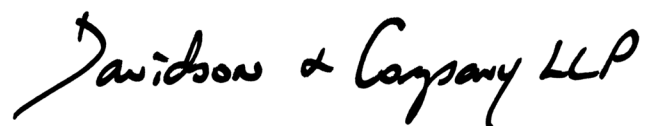
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Catherine Tai.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

May 4, 2022

KAINANTU RESOURCES LTD.

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

As at	Note	December 31, 2021	November 30, 2020
ASSETS			
Current			
Cash and cash equivalents		\$ 649	\$ -
Receivables	7	204	11
Prepaid expenses		18	-
Deferred financing costs	19	-	246
Total Current Assets		871	257
Non-Current			
Property and equipment	8	394	462
Exploration and evaluation assets	9	4,166	2,711
Investments	10	77	-
Total Non-Current Assets		4,637	3,173
Total Assets		\$ 5,508	\$ 3,430
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		\$ 451	\$ 421
Due to related parties	16	-	445
Total Current Liabilities		451	866
Shareholders' Equity			
Share capital	11	5,975	2,802
Share subscription received in advance	11	169	-
Reserves	11	840	-
Accumulated other comprehensive income		81	(6)
Deficit		(2,008)	(232)
Total Shareholders' Equity		5,057	2,564
Total Liabilities and Shareholders' Equity		\$ 5,508	\$ 3,430
Nature of business	1		
Going concern	3		
Subsequent events	20		

Approved and authorized by the board of directors on May 2, 2022:

"Matthew Salthouse"

Matthew Salthouse

Director

"Marcus Engelbrecht"

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	December 1, 2020 to December 31, 2021	January 1, 2020 to November 30, 2020
EXPENSES			
Accounting and legal		\$ 118	\$ 153
Corporate and administrative		121	4
Board and management		282	48
Marketing and investor relations		234	23
Project evaluation		39	-
Formation expenses		-	4
Share based payments		596	-
Total Expenses		(1,390)	(232)
Other Items			
Foreign exchange (gain) loss		\$ 1	\$ (1)
Listing expense	2	385	-
Loss for the Period		(1,776)	(231)
Foreign exchange translation		87	(6)
Comprehensive Loss for the Period		\$ (1,689)	\$ (237)
Basic net loss per common share		\$ (0.04)	\$ (0.12)
Weighted average number of common shares outstanding – basic	13	45,074,638	2,005,479

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	December 1, 2020 to December 31, 2021	January 1, 2020 to November 30, 2021
OPERATING ACTIVITIES			
Loss for the period	\$	(1,776)	\$ (231)
Items not affecting cash			
Foreign exchange		1	(6)
Listing expense		385	-
Share-based payments		596	-
Depreciation of equipment		1	-
Changes in non-cash operating working capital			
Receivables		(138)	(5)
Prepaid expenses		(17)	-
Accounts payable and accrued liabilities		84	175
Due to related parties		(16)	67
Net used in Operating Activities		(880)	-
INVESTING ACTIVITIES			
Payment for exploration and evaluation assets	\$	(1,703)	\$ -
Proceeds from plant and equipment		(14)	-
Proceeds from plant and equipment		91	-
Cash acquired from reverse acquisition		126	-
Investment		(77)	-
Cash used in Investing Activities		(1,577)	-
FINANCING ACTIVITIES			
Proceeds from private placement financing	\$	3,168	\$ -
Share issuance costs		(163)	-
Proceeds from fundraising received in advance of share issue		169	-
Proceeds from exercise of share warrants		8	-
Proceeds from exercise of share stock options		10	-
Due to related parties		(173)	-
Cash provided by Financing Activities		3,019	-
Effects of exchange rates on cash		87	-
Change in cash		649	-
Cash, beginning the period		-	-
Cash, end of period	\$	649	\$ -

Supplementary Cash Flow Information 19

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

KAINANTU RESOURCES LTD.

Consolidated Statements of Changes in Shareholders' Equity

For the period from December 1, 2020 to December 31, 2021 and January 1, 2020 to November 30, 2020

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

	Notes	Share Capital		Share subscriptions received in advance	Reserves	Accumulated Other Comprehensive Income / (Loss)	Deficit	Total Shareholders' Equity
		Number of shares	Amount					
			\$	\$	\$	\$	\$	\$
Balance – December 31, 2019		300	2	-	-	-	(1)	1
Share issuance - June 1, 2020	11	440,000	-	-	-	-	-	-
Share issuance - June 1, 2020	11	3,559,700	2,800	-	-	-	-	2,800
Loss for the period		-	-	-	-	-	(231)	(231)
Foreign exchange translation		-	-	-	-	(6)	-	(6)
Balance – November 30, 2020		4,000,000	2,802	-	-	(6)	(232)	2,564
Consideration for reverse acquisition	3	20,000,000	325	-	103	-	-	428
Stock options and warrants issued on reverse acquisition	1	-	-	-	49	-	-	49
Concurrent financing	1	20,500,000	3,168	-	-	-	-	3,168
Finders' fees (shares)	1	572,400	-	-	-	-	-	-
Finders' fees (warrants)	1	-	(90)	-	90	-	-	-
Finders' fees (cash)	1	-	(29)	-	-	-	-	(29)
Corporate finance fees (warrants)	1	-	(24)	-	24	-	-	-
Corporate finance fees (cash)	1	-	(53)	-	-	-	-	(53)
Share issuance costs		-	(164)	-	-	-	-	(164)
Exercise of options	11	133,333	10	-	-	-	-	10
Reversal of Fair Value upon exercise	11	-	14	-	(14)	-	-	-
Exercise of brokers warrants	11	100,000	8	-	-	-	-	8
Reversal of Fair Value upon exercise	11	-	8	-	(8)	-	-	-
Commitment to issue shares pursuant to fundraising	11	-	-	169	-	-	-	169
Loss for the period		-	-	-	-	-	(1,776)	(1,776)
Share base payments	11	-	-	-	596	-	-	596
Foreign exchange translation		-	-	-	-	87	-	87
Balance – December 31, 2021		45,305,733	5,975	169	840	81	(2,008)	5,057

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

KAINANTU RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the period from December 1, 2020 to December 31, 2021

and January 1, 2020 to November 30, 2020

(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") under the Business Corporations Act (British Columbia) on July 4, 2018 as a Capital Pool Company under the policies of the TSX Venture Exchange (the "TSX-V"). During the period, KRL also obtained a secondary listing on the Frankfurt Stock Exchange ("FSE") under the symbol "6JO".

On November 23, 2020, the Company changed its name to Kainantu Resources Ltd. and on December 3, announced that it had completed the acquisition of all of the issued and outstanding shares of Kainantu Resources Pte. Ltd. ("Kainantu") (the "Transaction"). The Transaction resulted in a reverse takeover of the Company by the shareholders of Kainantu, constituting the Company's Qualifying Transaction as defined in Policy 2.4 - Capital Pool Companies of the TSX-V.

Kainantu was incorporated in Singapore on August 21, 2019 and incorporated a subsidiary Kainantu Resources Limited, on February 1, 2020 for the purpose of acquiring mineral exploration properties in Papua New Guinea ("PNG"). The principal office is #17-00 16 Collyer Quay, Singapore 049318.

On June 1, 2020, a Restructure Deed was executed whereby, pursuant to an option and sale agreement ("Option and Sale Agreement"), certain assets and related expenditures on mineral exploration properties were acquired by the Kainantu. The total consideration of \$2.8 million for the purchase was settled through a promissory note to Pacific Energy Consulting Limited ("PEC") which in turn assigned the promissory note to Asia Pacific Energy Ventures Pte. Ltd ("APEV"). The promissory note was then settled with issuance of 3,559,700 shares in the Company (Note 11).

This transaction has been accounted for as an asset acquisition as at the time of the transaction, with the group of assets acquired did not meet the definition of a business. The consideration paid has been allocated to the acquired assets based on their fair value at the date of acquisition. The purchase price of the acquisition has been primarily allocated as follows:

Purchase price	
<u>Promissory note issued</u>	<u>\$ 2,800</u>
Net assets acquired	
Deposits	\$ 5
Property and equipment	464
<u>Exploration and evaluation assets</u>	<u>2,331</u>
	<u>\$ 2,800</u>

Following the acquisition of the Kainantu exploration properties and associated assets, Kainantu is focused on mineral exploration in Papua New Guinea.

During the period ended December 31, 2021, Kainantu entered into a definitive share exchange agreement ("the Agreement") with PLB Capital Corp ("PLB", renamed Kainantu Resources Ltd.), whereby PLB would acquire all of the issued and outstanding securities of Kainantu in respect of the Transaction. The Transaction was completed on December 3, 2020.

Pursuant to the Transaction, the Company issued an aggregate of 20,000,000 shares to the founding shareholders of Kainantu ("Kainantu Shares") on the basis of one Company Share for each Kainantu Share. In addition, the Company will issue 5,000,000 common shares to the founding holders of Kainantu, pro rata in accordance with their holdings of Kainantu Shares, as additional consideration at such time as the Company has established and completed a technical report in compliance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101") supporting an inferred resource (as such term is defined in NI 43-101).

KAINANTU RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the period from December 1, 2020 to December 31, 2021

and January 1, 2020 to November 30, 2020

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

1. NATURE OF BUSINESS (Continued)

Together the Company, Kainantu and Kainantu Resources Limited form a wholly owned consolidated group ("the Group"). Since the Transaction resulted in the shareholders of Kainantu obtaining control of the Company, it constituted a reverse acquisition for accounting purposes with Kainantu being identified as the accounting acquirer. The net assets of the Company at the date of the reverse acquisition were deemed to have been acquired by Kainantu.

2. REVERSE TAKEOVER BY KAINANTU

As described in Note 1, on December 3, 2020, the Company and Kainantu completed the Transaction which constituted a reverse acquisition. The shareholders of Kainantu obtained control of the Company and the combined entity, by obtaining control of the voting power of the Company and the resulting power to govern its financial and operating policies.

For accounting purposes, Kainantu has been treated as the accounting parent company (legal subsidiary) and the Company has been treated as the accounting subsidiary (legal parent) in these consolidated financial statements.

The Transaction was accounted for as a reverse acquisition in accordance with the guidance provided in IFRS 2, Share-based Payments and IFRS 3, Business Combinations. As the Company did not qualify as a business according to the definition in IFRS 3, the reverse acquisition did not constitute a business combination, rather it was treated as an issuance of shares by Kainantu for the net assets of the Company and to obtain a listing status.

Accordingly, no goodwill or intangible assets were recorded with respect to the Transaction. As Kainantu was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying value. The Company's results of operations have been included from December 3, 2020.

For the acquisition of the Company by Kainantu, the consideration received is deemed to be the fair value of the net assets of the Company which on December 3, 2020 were as follows:

Purchase Price		
Shares acquired by Kainantu vendors	\$	103
Fair value of shares retained by Company shareholders		325
Fair value of warrants and stock options outstanding		49
Total Purchase Price		477
Net Assets Acquired		
Current Assets		
Cash		126
Accounts Receivable		1
Current Liabilities		
Accounts Payable		(35)
Net Identifiable Assets		92
Listing expense	\$	385

KAINANTU RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the period from December 1, 2020 to December 31, 2021

and January 1, 2020 to November 30, 2020

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

2. REVERSE TAKEOVER BY KAINANTU (Continued)

The fair value per share acquired by the Kainantu vendors reflects the cash consideration price of Canadian Dollars (“CAD”) \$0.07 and the shares retained by the shareholders of PLB based on the capital raising price of CAD \$0.20. Stock options and share purchase warrants were valued using Black-Scholes option-pricing model with the following weighted average assumptions: risk-free rate of 0.26%; volatility of between 75%, expected life of stock options and warrants 2.70 years and dividend yield of 0%. The cash consideration paid by Kainantu vendors was recorded as capital contributions within reserves.

As a result of the Company not meeting the definition of a business under IFRS 3, a listing expense of \$385 has been recorded. This represents the excess of the purchase price over the fair value of the assets and liabilities acquired and is characterised as a capital raising cost.

3. GOING CONCERN

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Group will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

As at December 31, 2021, the Group has recorded a net loss of \$1.78 million for the period and has an accumulated deficit of \$2.01 million. The Group has no source of revenue. Its ability to continue as a going concern is dependent on raising adequate financing to explore its mineral properties and develop profitable operations.

Subsequent to the period ended December 31, 2021, the Company completed the private placement outlined in Note 20 and received subscription funds totaling CAD \$2.77 million. On this basis the Company estimates that it has adequate financial resources for at least the next twelve months.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used.

4. BASIS OF PREPARATION

a. Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated financial statements were approved by the board of directors on May 2, 2022.

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.

KAINANTU RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the period from December 1, 2020 to December 31, 2021

and January 1, 2020 to November 30, 2020

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

4. BASIS OF PREPARATION (Continued)

c. Change in fiscal year-end

During the thirteen-month period ended December 31, 2021, the Company changed its fiscal year end to December 31 from November 30. The change in year end resulted in the Company filing a one-time thirteen-month transition period December 1, 2020 to December 31, 2021. Subsequent to the transition year, the Company's year end will cover the period January 1 to December 31.

During the eleven-month period ended November 30, 2020, the Company changed its year end to November 30 from December 31.

The information presented in these consolidated financial statements includes thirteen months of the current fiscal period ended December 31, 2021, as compared to eleven-month period ended November 30, 2020. As a result, the information contained in these consolidated financial statements may not be comparable to previously reported periods.

d. 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;

KAINANTU RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the period from December 1, 2020 to December 31, 2021

and January 1, 2020 to November 30, 2020

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

4. BASIS OF PREPARATION (Continued)

- 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.

e. 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

5. SIGNIFICANT ACCOUNTING POLICIES

a. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, term deposits, and highly liquid instruments with a maturity of three months or less.

During the prior period, Kainantu did not hold any bank accounts and has been funded by related entities. Following completion of the transaction bank accounts have been established in each jurisdiction.

b. Asset acquisitions

Asset acquisitions are accounted for using the allocation method based on relative fair values of assets acquired. The cost of an acquisition is measured as the aggregate of the consideration transferred.

c. Property and equipment

Property and equipment are carried at historical cost less any accumulated depreciation and impairment losses. Depreciation is calculated on following basis over the estimated useful lives of property and equipment:

Office equipment, software and licenses	Straight line over 2 - 5 years
Machinery & Equipment	Straight line over 2 - 5 years
Motor vehicles	Straight line over 3 years

KAINANTU RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the period from December 1, 2020 to December 31, 2021

and January 1, 2020 to November 30, 2020

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

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Exploration and evaluation assets

Recognition and measurement

Exploration and evaluation, including the costs of acquiring licenses and directly attributable general and administrative costs, initially are capitalized as exploration and evaluation assets. The costs are accumulated by areas of interest pending the determination of technical feasibility and commercial viability.

Pre-license costs are expensed when incurred. Pre-exploration costs are expensed unless it is considered probable that they will generate future economic benefits.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the ability of obtaining financing to complete the exploration and evaluation of the mineral resource properties, the existence of economically recoverable reserves and future profitable production, or alternatively, the ability to recover costs through a disposition of its mineral resource properties. The amounts shown for exploration and evaluation assets do not necessarily represent present or future value. Changes in future conditions could require a material change in the amount recorded for exploration and evaluation assets.

The technical feasibility and commercial viability of extracting a mineral resource from an area of interest is considered to be determinable when proved and/or probable reserves are determined to exist, and the necessary permits have been received to commence production. A review of each area of interest is carried out at least annually. Upon determination of technical feasibility and commercial viability, exploration and evaluation assets is first tested for impairment and then reclassified to property and equipment and/or intangibles or expensed to the consolidated statement of loss and comprehensive loss to the extent of any impairment.

Impairment

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

An impairment loss is recognized in the consolidated statement of loss and comprehensive loss if the carrying amount of an area of interest exceeds its estimated recoverable amount. The recoverable amount of an area of interest used in the assessment of impairment of exploration and evaluation assets is the greater of its value in use ("VIU") and its fair value less costs of disposal ("FVLCD").

VIU is determined by estimating the present value of the future net cash flows at a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the property.

FVLCD refers to the price that would be received to sell the area of interest in an orderly transaction between market participants.

For an area of interest that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the area of interest belongs. Impairment losses previously recognized are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount only to the extent that the area of interest's.

KAINANTU RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the period from December 1, 2020 to December 31, 2021

and January 1, 2020 to November 30, 2020

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

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

e. Share capital

Share capital is classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

f. Reserves

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currency to the Group's presentation currency are recognized directly in other comprehensive income / (loss) and accumulated in the foreign currency translation reserve. See Note 4 for the functional currencies.

g. Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity.

Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they revert, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

h. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at amortized cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent

KAINANTU RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the period from December 1, 2020 to December 31, 2021

and January 1, 2020 to November 30, 2020

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

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

changes in the investment's fair value in OCI. The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. The Group's cash and receivables are measured at amortized cost. Investments are measured at FVTPL and valued at level 3 inputs in the fair value hierarchy.

Financial liabilities are designated as either FVTPL or amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. The Group's accounts payables and accrued liabilities are measured at amortized cost.

Impairment of financial assets

An expected credit loss impairment model is applied which requires a loss allowance to be recognized based on expected credit losses. This applies to financial assets measured at amortized cost. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

i. Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period, adjusted for any of its own shares held. Diluted loss per share is determined by adjusting the loss attributable to shareholders and the weighted average number of ordinary shares outstanding, adjusted for any of its own shares held, for the effects of all dilutive potential ordinary shares, which comprise outstanding warrants and stock options.

j. Contingent liabilities

The Group does not recognize a contingent liability component in the cost of an asset, when an asset or a group of assets that do not constitute a business are acquired. Any subsequent payments made in relation to the contingent element are adjusted against the cost of the asset as incurred.

k. Rehabilitation provision

The Group is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Group records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

KAINANTU RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the period from December 1, 2020 to December 31, 2021

and January 1, 2020 to November 30, 2020

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

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur. At this time, the Group does not have any significant rehabilitation obligations.

I. Accounting Standards Issued but not yet Effective

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Group's financial statements.

6. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts and the valuation of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenditures during the year.

These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the estimates. Revisions to estimates and the resulting effects on the carrying amounts of the Group's assets and liabilities are accounted for prospectively. Information about such judgments and estimates is contained in the description of accounting policies (note 5) and/or other notes to the financial statements. Management has made the following critical judgments and estimates:

Critical judgments in applying accounting policies

The critical judgments that the Group's management has made in the process of applying the Group's accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognized in the Group's consolidated financial statements are as follows:

Functional currency

The functional currency for each of the Group's operations is the currency of the primary economic environment in which the entity operates. The Group has determined that the functional currencies of the Group and its subsidiary are Singapore Dollars ("SGD") and the USD respectively. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Group reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Impairment of non-current assets

Non-current assets are tested for impairment when indicators of impairment are present. Calculating the estimated fair values of cash generating units for non-current asset impairment tests requires management to make estimates and assumptions with respect to metal selling prices, future capital expenditures, reductions in the amount of recoverable reserves, resources, and exploration potential,

KAINANTU RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the period from December 1, 2020 to December 31, 2021

and January 1, 2020 to November 30, 2020

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

6. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

production cost estimates, discount rates and exchange rates. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future non-expansory capital expenditures, reductions in the amount of recoverable reserves, resources, and exploration potential, and/or adverse current economics can result in a write-down of the carrying amounts of the Group's non-current assets.

Key sources of estimation uncertainty

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Group's assets and liabilities are as follows:

Exploration and evaluation assets

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether future economic benefits are likely, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is recognized in loss in the period that the new information becomes available.

Income taxes

Management is required to make estimations regarding the tax basis of assets and liabilities and related deferred income tax assets and liabilities, the measurement of income tax expense and indirect taxes. A number of these estimates require management to make estimates of future taxable profit, and if actual results are significantly different than estimates, the ability to realize the deferred tax assets recorded on the statement of financial position could be impacted. The Group is subject to assessments by tax authorities who may interpret the tax law differently. These factors may affect the final amount or the timing of tax payments.

COVID-19

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Group to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Group's business or ability to raise funds.

7. RECEIVABLES

		2021		2020
Deposits and other receivables	\$	204	\$	11
	\$	204	\$	11

Receivables include security deposits pertaining to exploration licenses and certain refundable deposits in relation to the acquisition of Niuminco (Note 10) and the Kili Teke project (Note 20). Receivables include non-trade receivables and \$54 from related parties (Note 16).

KAINANTU RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the period from December 1, 2020 to December 31, 2021

and January 1, 2020 to November 30, 2020

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

8. PROPERTY AND EQUIPMENT

Cost	Office Equipment \$	Machinery & Equipment \$	Motor Vehicles \$	Construction in Progress \$	Total \$
December 31, 2019	-	-	-	-	-
Additions	11	6	91	370	478
November 30, 2020	11	6	91	370	478
Additions	6	71	-	-	77
Disposals	-	-	-	(101)	(101)
December 31, 2021	17	77	91	269	454
Accumulated Depreciation					
December 31, 2019	-	-	-	-	-
Depreciation	1	1	15	-	17
November 30, 2020	1	1	15	-	17
Depreciation	4	6	33	-	43
December 31, 2021	5	7	48	-	60
Net Book Value					
November 30, 2020	10	5	76	370	461
December 31, 2021	12	70	43	269	394

Property and equipment items were acquired pursuant to the Option and Sale Agreement with PEC (Note 1). Depreciation is capitalized to exploration and evaluation assets. During the period part of Construction in Progress was disposed for the original purchase price.

9. 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.

	Acquisition Cost	Additions	Impairment	Total
December 31, 2019	-	-	-	-
Kainantu	2,331	381	-	2,712
November 30, 2020	2,331	381	-	2,712
Kainantu	-	1,453	-	1,453
May River	-	1	-	1
December 31, 2021	2,331	1,835	-	4,166

The Kainantu exploration properties were acquired pursuant to the Option and Sale Agreement with PEC (Note 1) on June 1, 2020 for consideration of \$2,331. Additions included \$42 of capitalized depreciation (2020 - \$16).

During the year the two core Kainantu tenements were transferred to the Group under the Options and Sale Agreement. An exploration license application was lodged at May River associated with the proposed acquisition.

KAINANTU RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the period from December 1, 2020 to December 31, 2021

and January 1, 2020 to November 30, 2020

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

10. INVESTMENTS

		2021		2020
Investment	\$	77	\$	-
	\$	77	\$	-

- a. On June 15, 2021 the Company entered into an option agreement to acquire the May River Project in PNG. Pursuant to the agreement, the Company has an option to purchase the outstanding shares of Hardrock Limited (“Hardrock”) through the exercise of an option to acquire a 10% interest in Hardrock and a further second option to purchase the remaining 90%. On November 9, 2021 the first option was exercised to acquire a 10% interest with expenditures in kind incurred as consideration.
- b. The Company entered into an agreement to purchase the outstanding shares of Niuminco (ND) Limited with payment of Australian Dollars (“AUD”) \$250 and issuance of the Company’s common shares equal to AUD \$250. As at December 31, 2021, the Company paid a deposit of AUD \$25 pursuant to this agreement.

11. SHARE CAPITAL

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

As at December 31, 2021, 7,270,362 common shares are held in escrow.

On June 1, 2020, 3,559,700 shares were issued through the Restructure as consideration to settle the \$2,800 promissory note held by APEV (Note 1).

On December 2, 2020 the Company issued 20,500,000 common shares and 10,250,000 share purchase warrants of the Company as part of the Concurrent Financing in conjunction with the Transaction (Note 1) for total proceeds of CAD \$4.1 million. Each warrant entitles the holder to acquire a common share of the Company at an exercise price of CAD \$0.40 per common share until December 3, 2023.

In addition, the Company will issue 5,000,000 common shares to the founding holders of Kainantu, pro rata in accordance with their holdings of Kainantu Shares, as additional consideration at such time as the Company has established and completed a technical report in compliance with NI 43-101 supporting an inferred resource (as such term is defined in NI 43-101).

The Company also issued:

- 572,400 common shares and 286,200 attaching warrants to certain arm’s length finders as finders’ fee payable in connection with the Concurrent Financing. Each warrant entitles the holder to acquire a common share of the Company at an exercise price of CAD \$0.40 per common share until December 3, 2023;
- 437,000 warrants with a value of \$33 to certain arm’s length finders as finders’ fee payable in connection with the Concurrent Financing. Each warrant entitles the holder to acquire a common share of the Company at an exercise price of CAD \$0.20 per common share until December 3, 2023;
- 763,700 warrants with a value of \$57 to certain finders. Each warrant entitles the holder to acquire a common share of the Company at an exercise price of CAD \$0.20 per common share until December 3, 2023; and

KAINANTU RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the period from December 1, 2020 to December 31, 2021

and January 1, 2020 to November 30, 2020

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

11. SHARE CAPITAL (Continued)

- 490,000 warrants with a value of \$24 as a corporate finance fee. Each warrant entitles the holder to acquire a common share of the Company at an exercise price of CAD \$0.40 per common share until December 3, 2023.

The Company incurred other share issue cost totalling \$246.

As at December 31, 2021 the Company had received \$169 for share subscriptions in advance from the January 2022 private placement (note 20).

The Company employed the Black-Scholes option-pricing model to value the warrants using the following assumptions:

	Finders warrants	Corporate finance warrants
Assumptions:		
Risk-free interest rate	0.31%	0.31%
Expected life of options	3 years	3years
Expected volatility (based on comparable companies)	75%	75%
Dividend yield	Nil	Nil
Forfeiture rate	0.0%	0.0%
Exercise price	CAD \$0.20	CAD \$0.40
Share price on grant date	CAD \$0.20	CAD \$0.20
Fair value per option granted	CAD \$0.10	CAD \$0.06

Share purchase warrants

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

	2021		2020	
	Number of Warrants	Weighted Average Exercise Price CAD \$	Number of Warrants	Weighted Average Exercise Price CAD \$
Outstanding, beginning of period	100,000	0.10	100,000	0.10
Granted	10,250,000	0.40	-	-
Granted	1,200,700	0.20	-	-
Granted	286,200	0.40	-	-
Granted	490,000	0.40	-	-
Exercised	(100,000)	0.10	-	-
Outstanding, end of period	12,226,900	0.38	100,000	0.10

KAINANTU RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the period from December 1, 2020 to December 31, 2021

and January 1, 2020 to November 30, 2020

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

11. SHARE CAPITAL (Continued)

The following share purchase warrants were outstanding and exercisable as at December 31, 2021:

Expiry Date	Exercise Price	Number of Warrants	Remaining Contractual Life (Years)
December 3, 2023	CAD \$0.40	10,536,200	1.92
December 3, 2023	CAD \$0.20	1,200,700	1.92
December 3, 2023	CAD \$0.40	490,000	1.92
Total		12,226,900	
Weighted average years to expiry			1.92

Stock option plan

The Company currently has a 10% Employee Stock Option Plan, which was last approved by the shareholders of the Company on September 20, 2021. 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 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 2 years thereafter.

The continuity of stock options is as follows:

	2021		2020	
	Number of Options	Weighted Average Exercise Price CAD \$	Number of Options	Weighted Average Exercise Price CAD \$
Balance, beginning of the period	400,000	0.10	400,000	0.10
Granted	4,255,000	0.21	-	-
Exercised	(133,333)	(0.10)	-	-
Balance, end of the period	4,521,667	0.20	400,000	0.10

The following stock options were outstanding and exercisable as at December 31, 2021:

Expiry Date	Exercise Price	Number of Options	Remaining Contractual Life (Years)
March 14, 2024	CAD \$0.10	266,667	2.20
December 23, 2025	CAD \$0.21	4,105,000	3.98
August 9, 2026	CAD \$0.21	150,000	4.61
Total		4,521,667	
Number of exercisable options		3,053,334	
Weighted average years to expiry			3.90

KAINANTU RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the period from December 1, 2020 to December 31, 2021

and January 1, 2020 to November 30, 2020

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

11. SHARE CAPITAL (Continued)

The Company recorded \$0.60 million in share-based compensation related to the vested stock options. The Company employed the Black-Scholes option-pricing model using the following assumptions:

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

12. INCOME TAXES

A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

	Period ended December 31, 2021	Period ended November 30, 2020
Loss for the period	\$ (1,776)	(231)
Expected income tax expense (recovery)	(479)	(69)
Change in statutory, foreign tax, foreign exchange rates and other	18	29
Permanent differences	306	-
Share issue cost	(67)	-
Change in unrecognized deductible temporary differences	222	40
Total income tax expense (recovery)	\$ -	\$ -

The significant components of the Company's deferred tax assets that have not been included on consolidated statements of financial position are as follows:

	2021	2020
Deferred tax assets (liabilities)		
Share issue costs	\$ 57	\$ 40
Non-capital loss available for future periods	254	40
Unrecognized deferred tax assets	311	40
Net deferred tax assets	\$ (311)	(40)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statements of financial position are as follows:

KAINANTU RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the period from December 1, 2020 to December 31, 2021

and January 1, 2020 to November 30, 2020

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

12. INCOME TAXES (Continued)

	2021	Expiry Date Range	2020	Expiry Date Range
Temporary Differences				
Share issue costs	211	2042 to 2045	-	2041 to 2044
Non-capital losses available for future periods	1,089	2038 to 2041	232	2026 to 2040
Canada	630	2038 – 2041	-	2026 to 2040
Singapore	417	No expiry date	224	No expiry date
Papua New Guinea	42	2040 to 2041	8	2040

Tax attributes are subject to review, and potential adjustment, by tax authorities.

13. LOSS PER SHARE

Loss per share amounts are calculated by dividing the net loss attributable to shareholders for the period by the weighted-average number of common shares outstanding during the period.	Period ended December 31, 2021	Period ended November 30, 2020
Net loss attributable to equity holders	\$ (1,776)	(231)
Basic number of common shares	45,074,638	2,005,479
Basic loss per shares attributable to equity holders of the Company	\$ (0.04)	(0.12)

14. DETERMINATION OF FAIR VALUES

The Group's financial instruments consist of cash, receivables, investments and accounts payable and accrued liabilities.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Classification and fair values	December 31, 2021	November 30, 2020
Assets – Amortized Cost		
Cash	\$ 649	
Receivables	150	11
Due from related parties	54	-
Liabilities – Amortized Cost		
Accounts payable and accrued liabilities	\$ 451	421
Due to related parties	-	445

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets;

KAINANTU RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the period from December 1, 2020 to December 31, 2021

and January 1, 2020 to November 30, 2020

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

14. DETERMINATION OF FAIR VALUES (Continued)

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying value of cash, receivables, accounts payable and accrued liabilities, and due to related parties approximated their fair value because of the short-term nature of these instruments.

The Group carries its instruments at FVTPL.

15. FINANCIAL AND RISK MANAGEMENT

The activities of the Group expose them to a variety of financial risks that arise as a result of their exploration, development and financing activities, including credit risk, liquidity risk and market risk.

This note presents information about the Group's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors of the Group oversees management's establishment and execution of the Group's risk management framework. Management has implemented and monitors compliance with risk management policies. The Group's risk management policies are established to identify and analyze the risks faced by the Group to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Group's activities.

Credit risk

Credit risk is the risk of financial loss to the Group if counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents and receivables. The Company's credit exposure is limited to the carrying amount of these financial assets.

The Company's cash is held by high-credit-rated financial institutions and, as such, the Company does not believe there to be a significant credit risk. The Company's concentration of credit risk and maximum exposure is as follows:

	December 31, 2021	November 30, 2020
Cash at Canadian financial institutions	\$ 306	-
Cash at Singapore financial institutions	310	-
Cash at PNG financial institutions	33	-
Total	649	-

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting their financial liabilities that are settled in cash or other financial assets. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as they come due. The amounts for other payables are subject to normal trade terms. The Group expects to settle its financial liabilities within normal trading terms (within three months).

KAINANTU RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the period from December 1, 2020 to December 31, 2021

and January 1, 2020 to November 30, 2020

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

15. FINANCIAL AND RISK MANAGEMENT (Continued)

Market risk

Market risk is the risk that changes in market prices, such as equity prices and foreign exchange rates will affect the Group's profit or loss or the value of its financial instruments.

Foreign currency risk

Foreign currency risk is the risk that the Group's financial performance will be affected by fluctuations in the exchange rates between currencies. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when expenses are denominated in currencies other than the respective functional currencies). The Group manages this foreign currency risk by matching payments in the same currency and monitoring movements in exchange rates.

As at December 31, 2021, the Company is exposed to currency risk through the following assets and liabilities denominated in CAD, Singapore Dollars and PNG Kina (in thousands):

		CAD	SGD	PNG Kina	Total
Cash & cash equivalents	\$ / \$/ K	771	4	111	
Receivables		11	-	29	
Accounts Payable & accrued liabilities		(160)	(337)	(265)	
Net Exposure		622	(333)	(125)	
USD equivalents		490	(247)	(35)	208

Based on the above net exposures as at December 31, 2021, and assuming all other variables remain constant, a 10% change in the value of the US dollar against the above foreign currencies would result in an increase of approximately \$21.

As at November 30, 2020, the Company is exposed to currency risk through the following assets and liabilities denominated in CAD, SGD and PNG Kina (in thousands):

		CAD	SGD	PNG Kina	Total
Cash & cash equivalents	\$ / \$/ K	-	-	-	
Receivables		-	1	36	
Accounts Payable & accrued liabilities		(399)	(95)	(98)	
Net Exposure		(399)	(94)	(62)	
USD equivalents		(331)	(71)	(19)	(421)

Based on the above net exposures as at November 30, 2021, and assuming all other variables remain constant, a 10% change in the value of the US dollar against the above foreign currencies would result in a decrease of approximately (\$42).

Capital management

Capital of the Group consists of items within shareholder' equity. The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern so it can acquire, explore and develop mineral resource properties for the benefit of its shareholders. The Group manages its capital structure and makes adjustments based on the funds available to it in light of changes in economic conditions.

KAINANTU RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the period from December 1, 2020 to December 31, 2021

and January 1, 2020 to November 30, 2020

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

15. FINANCIAL AND RISK MANAGEMENT (Continued)

The Board of Directors of the Group has not established quantitative return on capital criteria for management, but rather relies on the expertise of the management to sustain the future development of the Group. In order to facilitate the management of their capital requirements, the Group prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Group is reasonable.

The Group's principal source of capital is from the issue of ordinary shares. In order to achieve its objectives, the Group intends to raise additional funds as required. The Group is not subject to externally imposed capital requirements and there were no changes to the Group's approach to capital management during the period.

16. 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.

Axis Metals and Mining Pte. Ltd.

On December 1, 2020, the Company entered into a consulting agreement with its CEO for a monthly consulting fee of SGD \$8,000 per month through Axis Metals and Mining Pte. Ltd. ("Axis"). In addition to the fee a monthly expense allowance of SGD \$600 is payable. Termination benefits to the CEO if the engagement is terminated without cause are six months of the monthly fee.

During the thirteen months ended December 31, 2021, the Company incurred \$81 in consulting fees (2020 – \$37) to Axis with \$37 directly attributable to the exploration programs capitalised to exploration and evaluation assets. As at December 31, 2021, \$11 was owing to Axis.

South Street Pte. Ltd.

On December 1, 2020, the Company entered into a consulting agreement with its CFO, amended July 1, 2021 for monthly management fee of SGD \$18,000 per month through South Street Pte. Ltd. ("South Street"). Termination benefits to the CFO if the engagement is terminated without cause are six months of the monthly fee.

During the thirteen months ended December 31, 2021, the Company incurred \$113 in consulting fees (2020 – \$9) to South Street with \$55 directly attributable to exploration programs capitalised to exploration and evaluation assets. As at December 31, 2021, \$13 was owing to South Street.

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

As at December 31, 2021, \$54 is due from APEV and PEC which are related by way of common director for recharged expenses to be reimbursed under a shared services agreement. As at November 30, 2020, amounts due to the related parties totalled \$445 in relation to ongoing funding received from APEV and PEC prior to completion of the Transaction and Concurrent Financing which the Group settled during the period.

KAINANTU RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the period from December 1, 2020 to December 31, 2021

and January 1, 2020 to November 30, 2020

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

16. RELATED PARTY TRANSACTIONS (Continued)

In the period ended December 31, 2021 the Group incurred expenses through fees charged under the shared services agreement totalling \$117 (2020 - \$nil) 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. In addition, the Company acquired a mechanical excavator from PEC for \$67 included in additions to Property & Equipment (Note. 8) during the period.

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 personal and its recognition in these consolidated financial statements on a graded vesting basis. During the 13 months ended December 31, 2021, share-based compensation for the key management personnel amounted to \$596 (2020 - \$nil).

For the 13 month period ended December 31, 2021, Director remuneration totalled \$93 (2020 - \$nil) with \$7 owing at December 31, 2021.

17. COMMITMENTS AND CONTINGENCIES

The Group has the following commitments, with payment based on the assumption of continued operations and ongoing successful exploration results at its tenements.

Commitment payments

Exploration licences in PNG are subject to prescribed minimum expenditure requirements in connection with an approved programme and based on the number of sub-blocks.

The Company has the following minimum expenditure commitments.

Next 12 months:

\$265	Minimum exploration expenditure commitment for the first year of second term and second year at the granted Kainantu Tenements.
\$422	Minimum exploration expenditure commitment additional tenements under application.

No other contingent payments or commitments exist at the date of statement of financial position.

KAINANTU RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the period from December 1, 2020 to December 31, 2021

and January 1, 2020 to November 30, 2020

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

18. SEGMENTED INFORMATION

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

Non-current assets by country are located as follows:

	December 31, 2021			November 30, 2020		
	Singapore	PNG	Total	Singapore	PNG	Total
Exploration and evaluation assets	\$ -	4,166	4,166	\$ -	2,711	2,711
Property and equipment	4	390	394	11	451	462
Investments	-	77	77	-	-	-

19. SUPPLEMENTARY CASH FLOW INFORMATION

Supplemental information regarding non-cash transactions is as follows:

During the period ended December 31, 2021:

- Property and equipment included \$67 due to related parties for equipment \$67 acquired.
- Exploration and evaluation assets included \$42 of capitalised depreciation.
- Accounts payable and accrued liabilities included \$83 of share issuance costs and \$74 of exploration and evaluation expenditures.

During the period ended November 30, 2020:

- Deposits included in receivables of \$5, property and equipment of \$464 and exploration and evaluation assets of \$2,331 were acquired pursuant to the Restructure (Note 1).
- Accounts payable and accrued liabilities of \$2 were settled as part of the Restructure (Note 1).
- Accounts payable and accrued liabilities included \$246 of deferred financing costs.
- Subscription funds receivable of \$2 were settled as part of the Restructure (Note 1).
- Due to related parties included property and equipment of \$6 and exploration and evaluation expenditures of \$62.

During the periods ended November 30, 2020 and December 31, 2021, the Group paid \$nil and \$nil for income taxes and interest, respectively.

20. SUBSEQUENT EVENTS

Private Placement

Subsequent to the period ended December 31, 2021, the Company issued 15,387,492 units ("Unit") for gross proceeds of CAD\$2.77 million. Each Unit consists of one common share and one common share purchase warrant of the Company, with each warrant being exercisable for one common share at an exercise price of CAD \$0.36 for a three year period.

In connection with the offering, cash finder's fees equal to 6% of the gross proceeds raised by finders were paid and non-transferable compensation warrants equal to 6% of the number of units introduced by finders were issued. Each compensation warrant is exercisable for one common share at an exercise price of CAD \$0.36 per share at any time prior up to 36 months following the closing date of the offering.

KAINANTU RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the period from December 1, 2020 to December 31, 2021

and January 1, 2020 to November 30, 2020

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

20. SUBSEQUENT EVENTS (Continued)

Acquisition of Kili Teke Copper-Gold project

On April 6, 2022 the Company entered into a definitive agreement with Harmony Gold (PNG) Exploration Limited, a wholly-owned subsidiary of Harmony Gold Mining Company Limited to acquire 100% ownership of the Kili Teke Gold-Copper Project.

Terms of Agreement include initial cash consideration of \$1 million, payable in two instalments: \$0.5 million on closing (\$100 paid) and \$0.5 million on receipt of post-closing regulatory approvals. Upon publishing a Preliminary Economic Assessment then a Feasibility Study further payments \$3 million and \$4 million will be made respectively. KRL will pay a 1.5% net smelter royalty from future mine revenue.

KRL will issue warrants equal to 9.9% of the issued share capital of KRL on closing (with each warrant exercisable at CAD \$0.28 per share and a term of 3 years).

Stock Options

The Company granted 770,000 stock options that are exercisable for a period of five years at a price of CAD \$0.19 per share to various directors and officers. The options will be subject to vesting over two years and hurdle price conditions CAD \$0.35 and CAD \$0.55.

CORPORATE DIRECTORY

Directors & Management

Matthew Salthouse – Director & Chief Executive Officer

Marcus Engelbrecht – Non Executive Chairman

Geoffrey Lawrence – Non-executive Director

David Loretto – Non-executive Director

Bart Lendrum – Chief Financial Officer

Graeme Duncan – Chief Operating Officer

Company Secretary

Pino Perrone

Principal place of business

550 Burrard Street, Suite 2900

Vancouver, British Columbia V6C 0A3

Auditor

Davidson & Company LLP

1200 – 609 Granville Street

Pacific Centre Vancouver B.C.

Canada V7Y 1G6