



# **KAINANTU**

**KAINANTU RESOURCES LTD.**

## **INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Presented in United States Dollars)**

**September 30, 2021**

**(Unaudited, Prepared by Management)**

**Reader's Note:**

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

## KAINANTU RESOURCES LTD.

Interim Condensed Consolidated Statements of Financial Position  
*(Presented in thousands of United States Dollars)*  
*(Unaudited, Prepared by Management)*

As at	Note	September 30, 2021	November 30, 2020
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 1,095	-
Receivables		75	\$ 11
Deferred financing costs		-	246
<b>Total Current Assets</b>		<b>1,170</b>	<b>257</b>
<b>Non-Current</b>			
Property and equipment	4	501	462
Exploration and evaluation assets	5	3,874	2,711
<b>Total Non-Current Assets</b>		<b>4,375</b>	<b>3,173</b>
<b>Total Assets</b>		<b>\$ 5,545</b>	<b>\$ 3,430</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		\$ 370	\$ 421
Due to related parties	7	40	445
<b>Total Current Liabilities</b>		<b>410</b>	<b>866</b>
<b>Shareholders' Equity</b>			
Share capital	6	6,056	2,802
Share-based payment reserve		344	-
Accumulated other comprehensive income		73	(6)
Deficit		(1,338)	(232)
<b>Total Shareholders' Equity</b>		<b>5,135</b>	<b>2,564</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 5,545</b>	<b>\$ 3,430</b>
Nature of business	1		
Continuance of operations	2 (c)		

Approved and authorized by the board of directors on November 26, 2021:

"Marcus Engelbrecht"

Marcus Engelbrecht

Director

"Matthew Salthouse"

Matthew Salthouse

Director

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

## KAINANTU RESOURCES LTD.

Interim Consolidated Statements of Loss and Comprehensive Loss  
*(Presented in thousands of United States Dollars)*  
*(Unaudited, Prepared by Management)*

	Note	Ten months ended September 30, 2021	Nine months ended August 31, 2020
<b>EXPENSES</b>			
Accounting and legal	\$	48	\$ 6
Corporate and administrative		86	1
Board and executive fees		204	29
Marketing and investor relations		201	6
Share-based payments		230	-
<b>Total Expenses</b>		<b>(769)</b>	<b>(42)</b>
<b>OTHER ITEMS</b>			
Foreign exchange (gain) loss	\$	1	\$ -
Listing expense		336	-
<b>Loss for the Period</b>		<b>(1,106)</b>	<b>(42)</b>
Foreign exchange translation	\$	(79)	\$ -
<b>Comprehensive Loss for the Period</b>	\$	<b>(1,027)</b>	\$ <b>(42)</b>
Basic loss per common share	\$	(0.02)	\$ (0.01)
Weighted average number of common shares outstanding – basic		44,940,783	6,716,325

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

## KAINANTU RESOURCES LTD.

### Interim Consolidated Statements of Cash Flows

(Presented in thousands of United States Dollars)

(Unaudited, Prepared by Management)

	Note	Ten months ended September 30, 2021	Nine months ended August 31, 2020
<b>OPERATING ACTIVITIES</b>			
Loss for the period		\$ (1,106)	\$ (42)
Foreign exchange		1	-
Listing expense		336	-
Share-based payments		230	-
<b>Changes in non-cash working capital items:</b>			
Receivables		(64)	(6)
Deferred Financing costs		247	-
Accounts payable and accrued liabilities		34	48
Due to related parties		(445)	-
<b>Cash used in Operating Activities</b>		<b>(767)</b>	<b>-</b>
<b>INVESTING ACTIVITIES</b>			
Payment for exploration and evaluation assets		\$ (1,134)	\$ -
Payment for plant and equipment		(69)	-
Cash acquired from reverse acquisition		126	-
<b>Cash used in Investing Activities</b>		<b>(1,077)</b>	<b>-</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from concurrent financing		\$ 2,921	\$ -
Proceeds from warrant and option exercise		18	-
<b>Cash provided by Financing Activities</b>		<b>2,939</b>	<b>-</b>
<b>Change in cash</b>		<b>1,095</b>	<b>-</b>
<b>Cash, beginning the period</b>		<b>-</b>	<b>-</b>
<b>Cash, end of period</b>		<b>\$ 1,095</b>	<b>\$ -</b>

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

## KAINANTU RESOURCES LTD.

### Interim Consolidated Statements of Changes in Shareholders' Equity

(Presented in thousands of United States Dollars)

(Unaudited, Prepared by Management)

	Notes	Share Capital		Share-based payment reserve	Accumulated Other Comprehensive Income / (Loss)	Deficit	Total Shareholders' Equity
		Number of shares	Amount				
			\$	\$	\$	\$	\$
<b>Balance – November 30, 2019</b>		<b>1,500</b>	<b>2</b>	-	-	(1)	<b>1</b>
Share issuance - June 1, 2020		2,200,000	-	-	-	-	-
Share issuance - June 1, 2020		17,798,500	2,800	-	-	-	2,800
Loss for the period		-	-	-	-	(42)	(42)
Foreign exchange translation		-	-	-	(3)	-	(3)
<b>Balance – August 31, 2020</b>		<b>20,000,000</b>	<b>2,802</b>	-	<b>(3)</b>	<b>(43)</b>	<b>2,756</b>
Loss for the period		-	-	-	-	(189)	(189)
Foreign exchange translation		-	-	-	(3)	-	(3)
<b>Balance – November 30, 2020</b>		<b>20,000,000</b>	<b>2,802</b>	-	<b>(6)</b>	<b>(232)</b>	<b>2,564</b>
Consideration for reverse acquisition		4,000,000	428	-	-	-	428
Concurrent financing		20,500,000	3,168	-	-	-	3,168
Finders' fees (shares)		572,400	-	-	-	-	-
Finders' fees (warrants)		-	(90)	90	-	-	-
Finders' fees (cash)		-	(29)	-	-	-	(29)
Corporate finance fees (warrants)		-	(24)	24	-	-	-
Corporate finance fees (cash)		-	(53)	-	-	-	(53)
Share issuance costs		-	(164)	-	-	-	(164)
Exercise of options		133,333	10	-	-	-	10
Exercise of brokers warrants		100,000	8	-	-	-	8
Loss for the period		-	-	-	-	(1,106)	(1,106)
Share base payments		-	-	230	-	-	230
Foreign exchange translation		-	-	-	79	-	79
<b>Balance – September 30, 2021</b>		<b>45,305,733</b>	<b>6,056</b>	<b>344</b>	<b>73</b>	<b>(1,338)</b>	<b>5,135</b>

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

# KAINANTU RESOURCES LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2021

*(Presented in Thousands of United States Dollars)*

*(Unaudited, Prepared by Management)*

### 1. NATURE OF BUSINESS

The Company was incorporated 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").

The principal business of the Company was the identification and evaluation of assets or businesses with a view to completing a "Qualifying Transaction" as it is defined in the policies of the TSX-V.

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 such term is 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").

Pursuant to the Transaction, the Company issued an aggregate of 20,000,000 Company Shares to the founding holders of common shares of Kainantu ("Kainantu Shares") on the basis of one Company Share for each Kainantu Share at price of Canadian Dollars ("CDN") \$0.20 per 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).

Immediately following the Transaction:

- 2,100,000 common shares of the Company were held by the existing shareholders;
- 1,900,000 common shares of the Company were held by former Kainantu shareholders;
- 20,000,000 common shares of the Company were issued to the former shareholders of Kainantu in exchange of Kainantu Shares;
- 20,500,000 shares and 10,250,000 attaching warrants of the Company were issued pursuant to the concurrent financing in connection with the Transaction (the "Concurrent Financing"). The Company raised total proceeds of CDN \$4.1 million from Concurrent Financing. Each warrant entitles the holder to acquire a common share of the Company at an exercise price of CDN \$0.40 per common share until December 3, 2023;
- 572,400 common shares and 286,200 attaching warrants of the Company were issued 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 CDN \$0.40 per common share until December 3, 2023;
- 437,400 warrants of the Company were issued 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 CDN \$0.20 per common share until December 3, 2023;
- 763,700 warrants were issued to certain finders. Each warrant entitles the holder to acquire a common share of the Company at an exercise price of CDN \$0.20 per common share until December 3, 2023; and

# KAINANTU RESOURCES LTD.

## Notes to the Interim Condensed Consolidated Financial Statements September 30, 2021

*(Presented in Thousands of United States Dollars)  
(Unaudited, Prepared by Management)*

### 1. NATURE OF BUSINESS (continued)

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

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. BASIS OF PREPARATION

#### a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting and based on principles of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements should be read in conjunction with the annual audited consolidated financial statements of Kainantu Resources Pte. Ltd for the period ended November 30, 2020, which include all of the significant accounting policies, and have been prepared in accordance with the same methods of application.

These interim consolidated financial statements were approved by the board of directors on August 29, 2021.

#### b. Basis of measurement

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

#### c. Continuance of Operations

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

The Group's continuing operations and its ability to meet mineral property and other commitments are dependent upon the ability of the Group to continue to raise additional equity or debt financing and to seek joint venture partners. Although the Group has been successful at raising capital in the past,

# KAINANTU RESOURCES LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2021

*(Presented in Thousands of United States Dollars)*

*(Unaudited, Prepared by Management)*

### 2. BASIS OF PREPARATION (Continued)

there is no assurance that the Group will be able to raise adequate financing on terms that are acceptable to the Group, if at all. Based on its current plans, budgeted expenditures, and cash requirements, management believes the Group would need to raise additional capital to accomplish its business objectives thereafter.

#### d. Significant Accounting Estimates and Judgments

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

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty, except for the judgments and estimates involved with the reverse acquisition (Note 3), were the same as those applied to the audited consolidated financial statements of Kainantu Resources Pte. Ltd. for the period ended November 30, 2020.

#### e. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

#### f. Presentation currency

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

Effective December 3, 2020, the Group has changed its presentation currency to USD from CAD. This change in presentation currency was made to better reflect the group's business activities, following the acquisition by Kainantu and forming the Group where the main operating entity adopts USD as the functional currency.

The interim condensed consolidated financial statements, for all years presented, are shown in the new presentation currency. Historically, the results of the Company have been presented in CAD.

Amounts are translated to the US dollar as follows:

- The consolidated income statements and consolidated statements of comprehensive income are translated into the presentation currency using the average exchange rates prevailing during each reporting period.
- Assets and liabilities on the consolidated statements of financial position were translated using the period-end exchange rates.
- Shareholders' equity balances were translated using historical rates based on rates in effect on the date of material transactions.



# KAINANTU RESOURCES LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2021

(Presented in Thousands of United States Dollars)

(Unaudited, Prepared by Management)

### 2. BASIS OF PREPARATION (Continued)

As a result of the change in presentation currency all amounts are expressed in USD unless otherwise noted.

The Group's non-USD functional currency entities have been translated to the USD dollar in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

#### g. 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	Listed company	CAD
Kainantu Resources Pte Ltd	100%	Singapore	Holding company	SGD
Kainantu Resources Limited	100%	Papua New Guinea	Mineral exploration	USD

### 3. 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 PLB 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.

# KAINANTU RESOURCES LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2021

(Presented in Thousands of United States Dollars)

(Unaudited, Prepared by Management)

### 3. REVERSE TAKEOVER BY KAINANTU (Continued)

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:

<b>Purchase Price</b>	
Fair value of shares acquired by Kainantu vendors	\$ 103
Fair value of shares retained by Company shareholders	325
Transaction costs	-
<b>Total Purchase Price</b>	<b>428</b>
<b>Net Assets Acquired</b>	
Current Assets	
Cash	126
Accounts Receivable	1
Current Liabilities	
Accounts Payable	(35)
<b>Net Identifiable Assets</b>	<b>92</b>
<b>Listing expense</b>	<b>\$ 336</b>

The fair value per share acquired by the Kainantu vendors reflects the transaction price of CAD \$0.07 and the shares retained by the shareholders of PLB based on the capital raising price of CAD \$0.20.

As a result of PLB not meeting the definition of a business under IFRS 3, a listing expense of \$0.34 million 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.

### 4. PROPERTY AND EQUIPMENT

Cost	Office Equipment \$	Machinery & Equipment \$	Motor Vehicles \$	Construction in Progress \$	Total \$
<b>November 30, 2020</b>	<b>11</b>	<b>6</b>	<b>91</b>	<b>370</b>	<b>478</b>
Additions	1	68	-	-	69
<b>September 30, 2021</b>	<b>12</b>	<b>74</b>	<b>91</b>	<b>370</b>	<b>547</b>
<b>Accumulated Depreciation</b>					
<b>November 30, 2020</b>	<b>(-)</b>	<b>1</b>	<b>15</b>	<b>-</b>	<b>16</b>
Depreciation	2	3	25	-	30
<b>September 30, 2021</b>	<b>2</b>	<b>4</b>	<b>40</b>	<b>-</b>	<b>46</b>
<b>Net Book Value</b>	<b>10</b>	<b>70</b>	<b>51</b>	<b>370</b>	<b>501</b>

Depreciation is capitalised to exploration and evaluation assets.

# KAINANTU RESOURCES LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2021

(Presented in Thousands of United States Dollars)

(Unaudited, Prepared by Management)

### 5. EXPLORATION AND EVALUATION ASSETS

	Acquisition Cost	Additions	Impairment	Total
<b>November 30, 2020</b>	\$ 2,331	381	-	2,712
Kainantu	-	1,162	-	<b>1,162</b>
<b>September 30, 2021</b>	<b>\$ 2,331</b>	<b>1,543</b>	-	<b>3,874</b>

Additions included \$29,725 of capitalized depreciation.

### 6. SHARE CAPITAL

The Company is authorized to issue unlimited ordinary shares.

During the period ended September 30, 2021, 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 reverse acquisition Transaction (Note 1) for total proceeds of CDN \$4.1 million.

Total cash financing cost incurred for the Concurrent Financing amounted to CDN \$38,220 and an additional 572,400 common shares and 1,486,900 share purchase warrants of the Company were issued to certain finders. A cash corporate finance fee of CDN \$68,000 was incurred and an additional 490,000 share purchase warrants of the Company were issued.

#### Share purchase warrants

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

	2021	
	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	100,000	\$ 0.10
Granted	10,250,000	0.40
Granted	1,486,900	0.20
Granted	490,000	0.40
Exercised	(100,000)	0.10
<b>Outstanding, end of year</b>	<b>12,226,900</b>	<b>\$ 0.38</b>

#### Stock option plan

The continuity of stock options is as follows:

	2021	
	Number of Options	Weighted Average Exercise Price CDN
Balance, beginning of the period	400,000	\$ 0.10
Granted	4,105,000	0.21
Exercised	(133,333)	(0.10)
<b>Balance, end of the period</b>	<b>4,371,667</b>	<b>\$ 0.20</b>

# KAINANTU RESOURCES LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2021

(Presented in Thousands of United States Dollars)

(Unaudited, Prepared by Management)

### 6. SHARE CAPITAL (Continued)

The following stock options were outstanding and exercisable as at September 30, 2021:

Expiry Date	Exercise Price	Number of Options	Remaining Contractual Life (Years)
March 14, 2024	CDN \$0.10	266,667	2.45
December 23, 2025	CDN \$0.21	4,105,000	4.23
<b>Total</b>		<b>4,371,667</b>	
Weighted average years to expiry			4.12

The Company recorded \$0.23 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, 2021

<b>Assumptions:</b>	
Risk-free interest rate	0.3%
Expected life of options	5 years
Expected volatility (based on comparable companies)	100%
Dividend yield	Nil
Forfeiture rate	0.0%
Exercise price	CDN \$0.21
Share price on grant date	CDN \$0.28
<b>Result</b>	
<b>Weighted average fair value per option granted</b>	<b>CDN \$0.22</b>

### 7. RELATED PARTY TRANSACTIONS

#### Key Management Personnel

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

Key management personnel compensation comprised fees paid and share-based compensation related to the fair value of the stock options granted to these key management personal.

Fees paid to key management personal in the 10 months ended September 30, 2021 were \$0.27 million (2020 - \$nil).

Recognition of share-based payments expense is included in the consolidated financial statements on a graded vesting basis. During the period ended September 30, 2021, share-based compensation for the key management personnel amounted to \$0.23 million (2020 - \$nil).

# KAINANTU RESOURCES LTD.

## Notes to the Interim Condensed Consolidated Financial Statements September 30, 2021

*(Presented in Thousands of United States Dollars)  
(Unaudited, Prepared by Management)*

### 7. RELATED PARTY TRANSACTIONS (Continued)

#### Related Party Entities

As at September 30, 2021, \$40,163 was due to related party Asia Pacific Energy Ventures Pte. Ltd. (of which Geoff Lawrence is a shareholder; and also a director and shareholder of the Company) for advances and recharged costs (November 30, 2020 - \$0.44 million).

During the period and as noted above, the Company also settled working capital loans and advances of \$0.44 million, as provided by the APEV group to cover operating expenses prior to listing.

During the reporting period the Company incurred expenses through a shared services agreement totalling \$0.10 million (2020 - \$nil) for office space, administrative and provision of other support services provided by APEV. The agreement and expenses are incurred on arms length terms; and have been approved by the independent directors of the Company.

### 8. SEGMENTED INFORMATION

The Group operates in one business segment being mineral exploration in Papua New Guinea. All non-current assets are located in Papua New Guinea.

### 9. SUBSEQUENT EVENTS

No further events requiring disclosure have occurred.