



# **KAINANTU**

**KAINANTU RESOURCES LTD.**

## **INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Presented in United States Dollars)**

**March 31, 2022**

**(Unaudited, Prepared by Management)**

Reader's Note:

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

# KAINANTU RESOURCES LTD.

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

As at	Note	March 31, 2022	December 31, 2021
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 1,415	\$ 649
Receivables	4	268	204
Prepaid expenses		179	18
<b>Total Current Assets</b>		<b>1,862</b>	<b>871</b>
<b>Non-Current</b>			
Property and equipment	5	392	394
Exploration and evaluation assets	6	4,881	4,166
Investments		77	77
<b>Total Non-Current Assets</b>		<b>5,350</b>	<b>4,637</b>
<b>Total Assets</b>		<b>\$ 7,212</b>	<b>\$ 5,508</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		\$ 517	\$ 451
<b>Total Current Liabilities</b>		<b>517</b>	<b>451</b>
<b>Shareholders' Equity</b>			
Share capital	7	7,987	5,975
Share subscription received in advance	7	-	169
Reserves	7	897	840
Accumulated other comprehensive income		82	81
Deficit		(2,271)	(2,008)
<b>Total Shareholders' Equity</b>		<b>6,695</b>	<b>5,057</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 7,212</b>	<b>\$ 5,508</b>

Nature of business	1
Continuance of operations	3 c.
Subsequent events	9

Approved and authorized by the board of directors on May 27, 2022:

"Matthew Salthouse"		"Marcus Engelbrecht"	
_____ Matthew Salthouse	Director	_____ Marcus Engelbrecht	Director

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

# KAINANTU RESOURCES LTD.

## Consolidated Statements of Loss and Comprehensive Loss

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

For the Period	Note	3 Months ended March, 31 2022	3 Months ended February 28, 2021
<b>EXPENSES</b>			
Accounting and legal	\$	3	\$ 22
Corporate and administrative		54	51
Board and management		89	76
Marketing and investor relations		113	71
Share based payments		4	230
<b>Total Expenses</b>		<b>(263)</b>	<b>(450)</b>
<b>Other Items</b>			
	\$		\$
Foreign exchange (gain) loss		-	1
Listing expense	2	-	336
<b>Loss for the Quarter</b>		<b>(263)</b>	<b>(787)</b>
Foreign exchange translation		1	35
<b>Comprehensive Loss for the Quarter</b>	\$	<b>(262)</b>	\$ <b>(752)</b>
Basic net loss per common share	\$	(0.01)	\$ (0.02)
Weighted average number of common shares outstanding – basic		58,972,710	44,251,196

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

# KAINANTU RESOURCES LTD.

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

For the period	Note	3 months ended March 31, 2022	3 Months ended February 28, 2021
<b>OPERATING ACTIVITIES</b>			
Loss for the period	\$	(263)	\$ (787)
Items not affecting cash			
Foreign exchange		-	1
Listing expense		-	336
Share-based payments		4	230
<b>Changes in non-cash operating working capital</b>			
Receivables		(10)	(65)
Prepaid expenses		(162)	-
Accounts payable and accrued liabilities		(44)	142
Due from/to related parties		(52)	66
<b>Net used in Operating Activities</b>		<b>(527)</b>	<b>(77)</b>
<b>INVESTING ACTIVITIES</b>			
Payment for exploration and evaluation assets	\$	(593)	\$ (170)
Payments from plant and equipment		(11)	(2)
Cash acquired from reverse acquisition		-	126
<b>Cash used in Investing Activities</b>		<b>(604)</b>	<b>(46)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from private placement financing	\$	2,018	\$ 3,168
Share issuance costs		(122)	(246)
Proceeds from exercise of share warrants		-	8
Proceeds from exercise of share stock options		-	10
<b>Cash provided by Financing Activities</b>		<b>1,896</b>	<b>2,940</b>
Effects of exchange rates on cash		1	-
<b>Change in cash</b>		<b>765</b>	<b>2,817</b>
<b>Cash, beginning the period</b>		<b>649</b>	<b>-</b>
<b>Cash, end of period</b>	\$	<b>1,415</b>	\$ <b>2,817</b>

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

# KAINANTU RESOURCES LTD.

## Consolidated Statements of Changes in Shareholders' Equity

For the 3 months ended March 31, 2022 and 13 month period ended 31 December 31, 2021

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

		Share Capital		Share	Reserves	Accumulated Other	Deficit	Total
	Notes	Number of shares	Amount	subscriptions received in advance		Comprehensive Income / (Loss)		Shareholders' Equity
			\$	\$	\$	\$	\$	\$
<b>Balance – November 30, 2020</b>		<b>4,000,000</b>	<b>2,802</b>	<b>-</b>	<b>-</b>	<b>(6)</b>	<b>(232)</b>	<b>2,564</b>
Consideration for reverse acquisition	2	20,000,000	325	-	103	-	-	428
Stock options and warrants issued on reverse acquisition	2	-	-	-	49	-	-	49
Concurrent financing	7	20,500,000	3,168	-	-	-	-	3,168
Finders' fees (shares)	7	572,400	-	-	-	-	-	-
Share issuance costs / corporate finance & finders' fees (warrants & cash)	7	-	(360)	-	114	-	-	(246)
Exercise of options	7	133,333	10	-	-	-	-	10
Reversal of Fair Value upon exercise	7	-	14	-	(14)	-	-	-
Exercise of brokers warrants	7	100,000	8	-	-	-	-	8
Reversal of Fair Value upon exercise	7	-	8	-	(8)	-	-	-
Commitment to issue shares pursuant to fundraising	7	-	-	169	-	-	-	169
Share base payments	7	-	-	-	596	-	-	596
Loss for the period		-	-	-	-	-	(1,776)	(1,776)
Foreign exchange translation		-	-	-	-	87	-	87
<b>Balance – December 31, 2021</b>		<b>45,305,733</b>	<b>5,975</b>	<b>169</b>	<b>840</b>	<b>81</b>	<b>(2,008)</b>	<b>5,057</b>
Private placement - January 4, 2022	7	9,268,825	1,312	(169)	-	-	-	1,143
Private placement - January 21, 2022	7	6,118,667	875	-	-	-	-	875
Share issuance costs	7	-	(122)	-	-	-	-	(122)
Finders' fees (warrants)	7	-	(53)	-	53	-	-	-
Share base payments	7	-	-	-	4	-	-	4
Loss for the period		-	-	-	-	-	(263)	(263)
Foreign exchange translation		-	-	-	-	1	-	1
<b>Balance – March 31, 2022</b>		<b>60,693,225</b>	<b>7,987</b>	<b>-</b>	<b>897</b>	<b>82</b>	<b>(2,271)</b>	<b>6,695</b>

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

# KAINANTU RESOURCES LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2022

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

### 1. NATURE OF BUSINESS

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

The Company completed the acquisition of Kainantu Resources Pte. Ltd. ("Kainantu") (the "Transaction") on December 3, 2020. The Transaction resulted in a reverse takeover of the Company by the shareholders of Kainantu.

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

Pursuant to the Transaction, the Company issued an aggregate of 20,000,000 shares to the founding shareholders of Kainantu ("Kainantu Shares"), 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).

The Company issued 20,500,000 common shares and 10,250,000 share purchase warrants of the Company as part of financing in conjunction with the Transaction for total proceeds of Canadian Dollars ("CAD") \$4.1 million.

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.

During the period ended March 31, 2022, the Company completed the private placement outlined in Note 7 issuing 15,387,492 common shares and 15,387,492 share purchase warrants of the Company and received subscription funds totaling CAD \$2.77 million.

### 2. REVERSE TAKEOVER BY KAINANTU

As described above 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.

# KAINANTU RESOURCES LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2022

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

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

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
<b>Total Purchase Price</b>		<b>428</b>

#### Net Assets Acquired

##### Current Assets

Cash	126
Accounts Receivable	1

##### Current Liabilities

Accounts Payable	(35)
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<b>Net Identifiable Assets</b>	<b>92</b>
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<b>Listing expense</b>	<b>\$</b>	<b>336</b>
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The fair value per share acquired by the Kainantu vendors reflects the cash consideration price of CAD \$0.07 and the shares retained by the shareholders of PLB based on the capital raising price of CAD \$0.20. 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 \$336 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.

# KAINANTU RESOURCES LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2022

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

### 3. 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 for the period ended December 31, 2021, which include all of the significant accounting policies, and have been prepared in accordance with the same methods of application.

These interim consolidated financial statements were approved by the board of directors on May 27, 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.

#### c. Continuation of Operations

These interim condensed consolidated financial statements are prepared on a going concern basis, which assumes that the Group will be able to meet its obligations and continue its operations for its next fiscal year. 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, 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.



# KAINANTU RESOURCES LTD.

## Notes to the Interim Condensed Consolidated Financial Statements March 31, 2022

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

### 3. BASIS OF PREPARATION (Continued)

#### e. 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.

#### f. Presentation currency

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

#### Foreign currencies

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

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

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

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

#### Translation of foreign operations

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

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

# KAINANTU RESOURCES LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2022

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

### 3. BASIS OF PREPARATION (Continued)

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

### 4. RECEIVABLES

	March 31, 2022	December 31, 2021
Deposits and other receivables	\$ 268	\$ 204
	<b>\$ 268</b>	<b>\$ 204</b>

Receivables include security deposits pertaining to exploration licenses and certain refundable deposits in relation to the acquisition of Niuminco and the Kili Teke project (Note 9). Receivables include non-trade receivables and \$107 from related parties (Note 8).

### 5. 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	6	71	-	-	77
Disposals	-	-	-	(101)	(101)
<b>December 31, 2021</b>	<b>17</b>	<b>77</b>	<b>91</b>	<b>269</b>	<b>454</b>
Additions	2	9	-	-	11
<b>December 31, 2021</b>	<b>19</b>	<b>86</b>	<b>91</b>	<b>269</b>	<b>465</b>
<b>Accumulated Depreciation</b>					
<b>November 30, 2020</b>	<b>1</b>	<b>1</b>	<b>15</b>	<b>-</b>	<b>17</b>
Depreciation	4	6	33	-	43
<b>December 31, 2021</b>	<b>5</b>	<b>7</b>	<b>48</b>	<b>-</b>	<b>60</b>
Depreciation	1	5	7	-	13
<b>December 31, 2021</b>	<b>6</b>	<b>12</b>	<b>57</b>	<b>-</b>	<b>73</b>

# KAINANTU RESOURCES LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2022

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

### 5. PROPERTY AND EQUIPMENT (Continued)

#### Net Book Value

<b>December 31, 2021</b>	<b>12</b>	<b>70</b>	<b>43</b>	<b>269</b>	<b>394</b>
<b>March 31, 2022</b>	<b>13</b>	<b>74</b>	<b>36</b>	<b>269</b>	<b>392</b>

Depreciation is capitalized to exploration and evaluation assets. During the period ended December 31, 2021 part of Construction in Progress was disposed for the original purchase price.

### 6. 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.

	<b>Acquisition Cost</b>	<b>Additions</b>	<b>Impairment</b>	<b>Total</b>
<b>November 30, 2020</b>	<b>2,331</b>	<b>381</b>	-	<b>2,712</b>
Kainantu	-	1,453	-	1,453
May River	-	1	-	1
<b>December 31, 2021</b>	<b>2,331</b>	<b>1,835</b>	-	<b>4,166</b>
Kainantu	-	715	-	715
May River	-	-	-	-
<b>December 31, 2021</b>	<b>2,331</b>	<b>2,550</b>	-	<b>4,881</b>

Additions included \$13 of capitalized depreciation (2021 - \$42).

### 7. SHARE CAPITAL

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

As at March 31, 2022, 7,270,362 common shares are held in escrow.

On January 4, 2022 the first tranche of a private placement including CAD \$216 received for share subscriptions in advance was completed. The Company issued 9,268,825 common shares and 9,268,825 share purchase warrants for total proceeds of CAD \$1.7 million. Each warrant entitles the holder to acquire a common share of the Company at an exercise price of CAD \$0.36 per common share until January 4, 2025.

The Company issued 533,798 warrants with a value of \$75 to certain finders. Each warrant entitles the holder to acquire a common share of the Company at an exercise price of CAD \$0.36 per common share until January 4, 2025.

The second tranche of the private placement was completed on January 21, 2022 with the Company issuing a further 6,118,667 common shares and 6,118,667 share purchase warrants for total proceeds of CAD \$1.1 million. Each warrant entitles the holder to acquire a common share of the Company at an exercise price of CAD \$0.36 per common share until January 21, 2025.

# KAINANTU RESOURCES LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2022

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

### 7. SHARE CAPITAL (Continued)

The Company also issued 327,120 warrants with a value of \$47 to certain finders. Each warrant entitles the holder to acquire a common share of the Company at an exercise price of CAD \$0.36 per common share until January 21, 2025.

During the prior period, on December 2, 2020 the Company issued 20,500,000 common shares and 10,250,000 share purchase warrants for total proceeds of CAD \$1.7 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 finders, 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 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;
- 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
- 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 employed the Black-Scholes option-pricing model to value the warrants, with the warrants issued in the 3 months ended March 31, 2022 using the following assumptions:

	<b>Finders warrants – Tranche 1</b>	<b>Finders warrants – Tranche 2</b>
<b>Assumptions:</b>		
Risk-free interest rate	1.10%	1.42%
Expected life of options	3 years	3 years
Expected volatility (based on comparable companies)	96%	96%
Dividend yield	Nil	Nil
Forfeiture rate	0.0%	0.0%
Exercise price	CAD \$0.36	CAD \$0.36
Share price on grant date	CAD \$0.17	CAD \$0.18
<b>Fair value per option granted</b>	<b>CAD \$0.08</b>	<b>CAD \$0.08</b>

# KAINANTU RESOURCES LTD.

## Notes to the Interim Condensed Consolidated Financial Statements March 31, 2022

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

### 7. SHARE CAPITAL (Continued)

#### Share purchase warrants

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

	2022		2021	
	Number of Warrants	Weighted Average Exercise Price CAD \$	Number of Warrants	Weighted Average Exercise Price CAD \$
Outstanding, beginning of period	12,226,900	0.38	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
Granted	15,387,492	0.36	-	-
Granted	860,918	0.36	-	-
			-	-
<b>Outstanding, end of period</b>	<b>28,475,310</b>	<b>0.37</b>	<b>12,226,900</b>	<b>0.38</b>

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

Expiry Date	Exercise Price	Number of Warrants	Remaining Contractual Life (Years)
December 3, 2023	CAD \$0.40	10,536,200	1.68
December 3, 2023	CAD \$0.20	1,200,700	1.68
December 3, 2023	CAD \$0.40	490,000	1.68
January 4, 2025	CAD \$0.36	9,268,825	2.77
January 4, 2025	CAD \$0.36	533,798	2.81
January 21, 2025	CAD \$0.36	6,118,667	2.77
January 21, 2025	CAD \$0.36	327,120	2.81
<b>Total</b>		<b>28,475,310</b>	
Weighted average years to expiry			2.31

#### Stock option plan

The Company currently Employee Stock Option Plan approved by shareholders which allows options up to a maximum of 10% of the issued and outstanding common shares. During the three months ended March 31, 2022, the Board of Directors approved the grant of 770,000 stock options to certain officers.

# KAINANTU RESOURCES LTD.

## Notes to the Interim Condensed Consolidated Financial Statements March 31, 2022

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

### 7. SHARE CAPITAL (Continued)

The continuity of stock options is as follows:

	2022		2021	
	Number of Options	Weighted Average Exercise Price CAD \$	Number of Options	Weighted Average Exercise Price CAD \$
Balance, beginning of the period	4,521,667	0.20	400,000	0.10
Granted	770,000	0.19	4,255,000	0.21
Exercised	-	-	(133,333)	(0.10)
<b>Balance, end of the period</b>	<b>5,291,667</b>	<b>0.20</b>	<b>4,521,667</b>	<b>0.20</b>

The following stock options were outstanding and exercisable as at March 31, 2022:

Expiry Date	Exercise Price	Number of Options	Remaining Contractual Life (Years)
March 14, 2024	CAD \$0.10	266,667	1.96
December 23, 2025	CAD \$0.21	4,105,000	3.73
August 9, 2026	CAD \$0.21	150,000	4.36
January 31, 2025	CAD \$0.19	50,000	2.84
January 31, 2026	CAD \$0.19	360,000	3.84
January 31, 2027	CAD \$0.19	360,000	4.84
<b>Total</b>		<b>5,291,667</b>	
Number of exercisable options		3,103,334	
Weighted average years to expiry			3.69

The Company recorded \$4 (2021 - \$596) in share-based compensation related to the vested stock options. The Company employed the Black-Scholes option-pricing model using the following assumptions:

	January 31, 2022
<b>Assumptions:</b>	
Risk-free interest rate	1.42%
Expected life of options	3 years
Expected volatility (based on comparable companies)	96%
Dividend yield	Nil
Forfeiture rate	0.0%
Exercise price	CAD \$0.19
Share price on grant date	CAD \$0.19
<b>Fair value per option granted</b>	<b>CAD \$0.11</b>

# KAINANTU RESOURCES LTD.

## Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2022

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

### 8. 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.

The Company has a consulting agreement with its CEO for a monthly consulting fee of SGD \$13,233 per month (amended January 1, 2022) through Axis Metals and Mining Pte. Ltd. ("Axis"). In addition to the fee a monthly expense allowance of SGD \$600 is payable. During the quarter ended March 31, 2022, the Company incurred \$29 in consulting fees (2021 – \$18) to Axis with \$15 directly attributable to the exploration programs capitalised to exploration and evaluation assets.

#### South Street Pte. Ltd.

The Company has a consulting agreement with its CFO for monthly management fee of SGD \$18,000 per month through South Street Pte. Ltd. ("South Street"). During the quarter ended March 31, 2022, the Company incurred \$40 in consulting fees (2021 – \$13) to South Street with \$10 directly attributable to the exploration programs capitalised to exploration and evaluation assets.

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

As at March 31, 2022, \$107 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.

In the quarter ended March 31, 2021 the Group incurred expenses through fees charged under the shared services agreement totalling \$19 (2021 - \$34) 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.

#### 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 quarter ended March 31, 2022, share-based compensation for the key management personnel amounted to \$4 (2021 - \$230).

For the quarter ended March 31, 2022, Director remuneration totalled \$21 (2021 - \$21).

# KAINANTU RESOURCES LTD.

Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2022

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

## 9. SUBSEQUENT EVENTS

### **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).