KAINANTU RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

(Presented in United States Dollars)

For the year ended December 31, 2022 and the period ended
December 1, 2020 to December 31, 2021

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF KAINANTU RESOURCES LTD.

Opinion

We have audited the consolidated financial statements of Kainantu Resources Ltd. and its subsidiaries (the "Company"), which comprise:

- the consolidated statement of financial position as at December 31, 2022;
- the consolidated statement of loss and comprehensive loss for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the consolidated statement of changes in shareholders' equity for the year then ended;
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year 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 *Auditors' 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the consolidated financial statements, which indicates that the Company incurred a net loss of $1.485 million during the year ended December 31, 2022 and, as of that date, has an accumulated deficit of $3.493 million. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no key audit matters to communicate in our auditors' report.

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Other Matter

The consolidated financial statements for the period ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on May 4, 2022.

Other Information

Management is responsible for the other information. The other information comprises the information included in 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 identified above 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 auditors' 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.

Auditors' 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 auditors' 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:

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- 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 auditors' 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 auditors' 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Hervé Leong-Chung.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia

May 1, 2023

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KAINANTU RESOURCES LTD.

Consolidated Statements of Financial Position

(Presented in thousands of United States Dollars)

As at			**December 31, 2022**		**December 31, 2021**
ASSETS	**Note**				
Current					
Cash and cash equivalents		$	311	$	649
Receivables	16		22		73
Prepaid expenses			169		18
Total Current Assets			**502**		**740**
Non-Current					
Deposits and long-term prepaid assets	7		373		131
Property and equipment	8		283		394
Exploration and evaluation assets	9		6,198		4,166
Investments	10		253		77
Total Non-Current Assets			**7,107**		**4,768**
Total Assets		**$**	**7,609**	**$**	**5,508**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts payable and accrued liabilities	16	$	708	$	451
Total Current Liabilities			**708**		**451**
Shareholders' Equity					
Share capital	11		8,976		5,975
Share subscription received in advance	11		55		169
Reserves	11		1,284		840
Accumulated other comprehensive income			79		81
Deficit			(3,493)		(2,008)
Total Shareholders' Equity			**6,901**		**5,057**
Total Liabilities and Shareholders' Equity		**$**	**7,609**	**$**	**5,508**
Nature of business	1				
Going concern	3				
Subsequent events	20				

Approved and authorized by the board of directors on: ***May 1, 2023***

"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		January 1, 2022 to December 31, 2022		December 1, 2020 to December 31, 2021
EXPENSES					
Accounting and legal		$	217	$	118
Corporate and administrative	16		278		121
Board and management	16		300		282
Corporate relations			194		-
Marketing and investor relations			199		234
Project evaluation			19		39
Share based payments			181		596
Total Expenses			**(1,388)**		**(1,390)**
Other Items					
Foreign exchange (gain) loss			-		1
Listing expense	2		-		385
Impairment of deposit	7		19		-
Impairment of equipment	8		78		-
Loss for the Period			**(1,485)**		**(1,776)**
Foreign exchange translation			(2)		87
Comprehensive Loss for the Period		**$**	**(1,487)**	**$**	**(1,689)**
Basic net loss per common share		$	(0.02)	$	(0.04)
Weighted average number of common shares outstanding – basic	13		62,753,580		45,074,639

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	January 1, 2022 to December 31, 2022	December 1, 2020 to December 31, 2021
OPERATING ACTIVITIES			
Loss for the period		$ (1,485)	$ (1,776)
Items not affecting cash			
Foreign exchange		-	1
Listing expense		-	385
Share-based payments		181	596
Depreciation of equipment		2	1
Impairment of equipment		78	-
Impairment of deposit		19	-
Changes in non-cash operating working capital			
Receivables		51	(138)
Prepaid expenses		(151)	(17)
Accounts payable and accrued liabilities		357	68
Net used in Operating Activities		**(948)**	**(880)**
INVESTING ACTIVITIES			
Payment for exploration and evaluation assets		(1,938)	(1,703)
Payments for plant and equipment		(80)	(14)
Proceeds from plant and equipment		-	91
Cash acquired from reverse acquisition		-	126
Deposits and long-term prepaids		(261)	-
Investment		(176)	(77)
Cash used in Investing Activities		**(2,455)**	**(1,577)**
FINANCING ACTIVITIES			
Proceeds from private placement financing		3,273	3,168
Share issuance costs		(261)	(163)
Proceeds from fundraising received in advance of share issue		55	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		**3,067**	**3,019**
Effects of exchange rates on cash		(2)	87
Change in cash		**(338)**	**649**
Cash, beginning the period		**649**	**-**
Cash, end of period		**$ 311**	**$ 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 year ended December 31, 2022 and period from December 1, 2020 to December 31, 2021

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

	Number of shares	Amount $	Subscriptions in Advance $	Reserves $	Accumulated Other Comprehensive Income $	Deficit $	Total Shareholders' Equity $
Balance – November 30, 2020	**4,000,000**	**2,802**	**-**	**-**	**(6)**	**(232)**	**2,564**
Consideration for reverse acquisition	20,000,001	325	-	103	-	-	428
Stock options and warrants issued on reverse takeover	-	-	-	49	-	-	49
Concurrent financing	20,500,000	3,168	-	-	-	-	3,168
Finders' fees (shares)	572,400	-	-	-	-	-	-
Finders' fees (warrants)	-	(90)	-	90	-	-	-
Share issuance costs (warrants & cash)	-	(270)	-	24	-	-	(246)
Exercise of options	133,333	10	-	-	-	-	10
Reversal of FV upon exercise	-	14	-	(14)	-		-
Exercise of brokers warrants	100,000	8	-		-	-	8
Reversal of FV upon exercise	-	8	-	(8)	-	-	-
Commitment to issue shares	-	-	169	-	-	-	169
Share based payments	-	-	-	596	-	-	596
Loss for the period	-	-	-	-	-	(1,776)	(1,776)
Foreign exchange translation	-	-	-	-	87	-	87
Balance – December 31, 2021	**45,305,734**	**5,975**	**169**	**840**	**81**	**(2,008)**	**5,057**
Private Placement	15,387,492	2,115	(169)	73	-	-	2,019
Share issuance costs (warrants & cash)	-	(187)	-	53	-	-	(134)
Private Placement	15,635,790	1,140	-	114	-	-	1,254
Share issuance costs (warrants & cash)	-	(67)	-	23	-	-	(44)
Commitment to issue shares	-	-	55	-	-	-	55
Share based payments	-	-	-	181	-	-	181
Loss for the year	-	-	-	-	-	(1,485)	(1,485)
Foreign exchange translation	-	-	-	-	(2)	-	(2)
Balance – December 31, 2022	**76,329,016**	**8,976**	**55**	**1,284**	**79**	**(3,493)**	**6,901**

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

1. NATURE OF BUSINESS

Kainantu Resources Ltd. ("KRL", the "Company" or the "Group") 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"). 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, 2020 announced that it had completed the acquisition of all 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.

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 20,000,001 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).

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.

For the year ended December 31, 2022 and period from December 1, 2020 to December 31, 2021 (Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)

2. REVERSE TAKEOVER BY KAINANTU (Continued)

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 paid 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**

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 Company 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.

During the year ended December 31, 2022, the Company recorded a net loss of $1,485 and as of that date has an accumulated deficit of $3,493. The Company 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.

3. GOING CONCERN (Continued)

These factors create material uncertainties, which in turn casts significant doubt as to the Company's ability to continue as a going concern.

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. Such adjustments could be material.

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 1, 2023.

b. Basis of measurement

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

c. 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.

The information presented in these consolidated financial statements includes twelve months of the current fiscal period ended December 31, 2022, as compared to the thirteen-month period ended December 31, 2021. As a result, the information contained in these consolidated financial statements may not be comparable to previously reported periods.

d. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its controlled subsidiaries. Control is achieved when the entity 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.

4. BASIS OF PREPARATION (Continued)

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

e. Presentation currency

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

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.

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 the following basis over the estimated useful lives of property and equipment:

Office equipment	Straight line over 2 - 5 years
Machinery & Equipment	Straight line over 2 - 5 years
Motor vehicles	Straight line over 3 years

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.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Exploration and evaluation assets (Continued)

Pre-license costs are expensed when incurred. Pre-exploration costs are expensed unless it is considered probable that they will generate future economic benefits. Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, and payments made to contractors during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year.

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

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market value of the common shares at the time the units are priced, and any excess is allocated to warrants.

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. The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

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"). A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost: the Company's business model for such financial assets is to hold the assets in order to collect contractual cash flows; and the contractual term of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Financial instruments (Continued)

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 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. After initial recognition, changes in fair value are recorded in other comprehensive income or profit or loss in the reporting period in which it arises for financial assets classified at FVOCI and FVTPL respectively. The Group's cash and cash equivalents 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. Accounts payables and accrued liabilities are measured at amortized cost.

The Company derecognizes a financial liability when the financial liability is discharged, cancelled, or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

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 common shareholders of the Group by the weighted average number of common 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 common shares, which comprise outstanding warrants and stock options. Shares held in escrow are excluded from the determination of loss per share if their release from escrow is other than a function of time.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

l. Impairment of non-current assets

Non-current assets are assessed for impairment when facts or circumstances suggest that the carrying value of an asset may exceed its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the greater of an asset's fair value less cost to sell and value in use. The estimated recoverable amount is determined on an asset-by-asset basis, except where such assets do not generate cash flows independent of other assets, in which case the recoverable amount is estimated at the cash-generating unit level. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the Company will measure, present, and disclose any resulting impairment loss.

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Functional currency and presentation currency

The functional currency of the Company and its subsidiaries listed in Note 4, and accounts denominated in currencies other than the functional currency have been translated as follows:

- Monetary assets and liabilities at the exchange rate at the consolidated statement of financial position date;
- Non-monetary assets and liabilities at the historical exchange rates, unless such items are carried at fair value, in which case they are translated at the date when the fair value was determined;
- Shareholders' equity items at historical exchange rates; and
- Revenue and expense items at the rate of exchange on the transaction date.

The Company's presentation currency is the United States dollar. For presentation purposes, all amounts are translated from the functional currency to the United States dollar presentation currency for each period. Statement of financial position accounts, with the exception of equity, are translated using the exchange rate at the end of each reporting period, transactions on the statement of comprehensive loss are recorded at the average rate of exchange during the period, and equity accounts are translated using historical actual exchange rates.

Exchange gains and losses arising from translation to the Company's presentation currency are recorded as a foreign exchange translation in other comprehensive income (loss), which is included in accumulated other comprehensive loss.

Transactions in currencies other than the entity's functional currency are recorded at the average rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities are translated using the period-end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss.

n. 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 period.

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:

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

<u>Critical judgments in applying accounting policies</u>

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:

Going concern assessment

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its operating expenditures, meet its liabilities for the subsequent year, and to fund planned contractual exploration programs, involves significant judgment based on historical experiences and other factors including expectation of future events that are believed to be reasonable under the circumstances.

Functional currency

The functional currency for each of the Group's entities is the currency of the primary economic environment in which the entity operates. The Group has determined the functional currencies of the Group as described in Note 4. 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, 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-expansionary 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.

Business combination or asset acquisition

At the time of acquisition, the Company assesses whether it has control over the acquiree. Control exists when the Company has power over an entity, when the Company is exposed, or has rights, to variable returns from the entity and when the Company has the ability to affect those returns through its power over the entity. Where control exists, the Company consolidates the results of the acquired entity.

In addition, the Company considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Company accounts for an acquisition as a business combination where an integrated set of activities and assets is acquired. More specifically, consideration is given to the extent to which significant processes are acquired.

When the acquisition does not represent a business combination, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized. The Transaction was accounted for as an asset acquisition.

For the year ended December 31, 2022 and period from December 1, 2020 to December 31, 2021 (Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)

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

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:

Share-based payments
Estimating the fair value of granted stock options requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected rate of forfeitures, expected life, price volatility, risk free interest rate, dividend yield and probabilities of exercise. Changes in the input assumptions can significantly affect the fair value estimate of the Company's earnings and reserves.

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. To date COVID-19 has not had a material impact on the Company's operations. However, 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. Deposits and long-term prepaid assets

		2022		2021
License security deposits	$	14	$	11
Property acquisition deposits		100		120
Long-term prepaid assets		259		-
	$	**373**	**$**	**131**

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

The Company previously paid a deposit of AUD $25 pursuant to an agreement to acquire Niuminco (ND) Limited. During the year ended December 31, 2022, this deposit has been written off and the Company recognized an impairment loss of $19 (2021 - $Nil).

For the year ended December 31, 2022 and period from December 1, 2020 to December 31, 2021 (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 $
November 30, 2020	**11**	**6**	**91**	**370**	**478**
Additions	6	71	-	-	77
Disposals	-	-	-	(101)	(101)
December 31, 2021	**17**	**77**	**91**	**269**	**454**
Additions	4	9	14	-	27
Disposals	-	-	-	(2)	(2)
Transfer	-	189	-	(189)	-
Impairment				(78)	(78)
December 31, 2022	**21**	**275**	**105**	**-**	**401**
Accumulated Depreciation					
November 30, 2020	**1**	**1**	**15**	**-**	**17**
Depreciation	4	6	33	**-**	**43**
December 31, 2021	**5**	**7**	**48**	**-**	**60**
Depreciation	6	22	30	**-**	**58**
December 31, 2022	**11**	**29**	**78**	**-**	**118**
Net Book Value					
December 31, 2021	**12**	**70**	**43**	**269**	**394**
December 31, 2022	**10**	**246**	**27**	**-**	**283**

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

During the year ended December 31, 2022, $2 (2021 - $101) of Construction in Progress was disposed for the original purchase price. During the year ended December 31, 2022, certain equipment was transferred from Construction in Progress to Machinery and Equipment and an Impairment Loss was recognised for $78 (2021 - $Nil) related to Construction in Progress the Company no longer plans to complete. These assets were not being amortized as they were not ready for their intended use.

9. EXPLORATION AND EVALUATION ASSETS

	Kainantu $	May River $	Total $
November 30, 2020	**2,712**	**-**	**2,712**
Additions	1,453	1	1,454
Impairment	-	-	-
December 31, 2021	**4,165**	**1**	**4,166**
Additions	**2,032**	**-**	**2,032**
Impairment	**-**	**-**	-
December 31, 2022	**6,197**	**1**	**6,198**

9. EXPLORATION AND EVALUATION ASSETS (Continued)

Additions included $58 of capitalized depreciation (2021 - $42).

The Kainantu exploration properties are located in PNG and were acquired pursuant to the Option and Sale Agreement with PEC on June 1, 2020 for consideration of $2,331.

Title to resource properties

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.

Realization of assets

The investment in and expenditures on exploration properties comprise a significant portion of the Company's assets. Realization of the Group's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims are permitted to lapse.

Environmental

The Group is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Group may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Group conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Group is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Group. Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Group's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the resource properties, the potential for production on the property may be diminished or negated.

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10. INVESTMENTS

		2022		2021
Investment	$	77	$	77
Exploration advances	$	176	$	-
	$	**253**	**$**	**77**

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"), an entity controlled by the Company's CEO, through the exercise of an option to acquire a 10% interest in Hardrock and a further second option to purchase the remaining 90%. To exercise the first option the Company was required to complete a field study of the May River Project. On November 9, 2021 the first option was exercised to acquire a 10% interest with expenditures of $77 incurred as consideration. To exercise the second option, the Company is required to issue shares based on an independent valuation of Hardrock. In addition, the Company has the option to acquire an additional 10% equity interest in Hardrock after the first option has been exercised but prior to the second option being exercised by incurring exploration expenditures on the May River Project of a minimum of $250.

During the year ended December 31, 2022, the Company incurred $176 in exploration expenditures on the property. Subsequent to December 31, 2022, the Company and Hardrock entered into a Share Sale Agreement (Note 20) which replaces the option agreement. All expenditures incurred were included as part of the consideration to acquire the remaining 90% equity interest in Hardrock.

11. SHARE CAPITAL

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

As at December 31, 2022, 76,329,016 common shares were issued and outstanding with 3,635,182 common shares held in escrow.

On January 4, 2022 the Company completed the first tranche of a private placement with the Company issuing 9,268,825 common shares and 9,268,825 share purchase warrants for total proceeds of $1,312 (CAD $1,670). The Company had received share subscriptions of $169 (CAD $216) in advance at December 31, 2021. Each warrant entitles the holder to acquire a common share of the Company at an exercise price of CAD $0.36 per common share until January 4, 2025.

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

The second tranche of the private placement was completed on January 21, 2022 with the Company issuing a further 6,118,668 common shares and 6,118,668 share purchase warrants for total proceeds of $0.876 (CAD $1,101). Each warrant entitles the holder to acquire a common share of the Company at an exercise price of CAD $0.36 per common share until January 21, 2025. The warrants were assigned a value of $73 under the residual method.

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

For the year ended December 31, 2022 and period from December 1, 2020 to December 31, 2021 (Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)

11. SHARE CAPITAL (Continued)

On November 3, 2022, the first tranche of a private placement was completed. The Company issued 15,635,790 common shares and 15,635,790 share purchase warrants for total proceeds of $1,254 (CAD $1,720). Each warrant entitles the holder to acquire a common share of the Company at an exercise price of CAD $0.22 per common share until November 3, 2025.

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

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

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

As at December 31, 2022 the Company had received $55 (2021 - $169) for share subscriptions in advance from the January 2023 private placement (note 20).

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).

For the year ended December 31, 2022 and period from December 1, 2020 to December 31, 2021 (Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)

11. SHARE CAPITAL (Continued)

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
- 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.

The Company employed the Black-Scholes option-pricing model to value the finders 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**

For the year ended December 31, 2022 and period from December 1, 2020 to December 31, 2021 (Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)

11. 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	-	-
Granted	15,635,790	0.22	-	-
Granted	538,527	0.22	-	-
Outstanding, end of period	**44,649,627**	**0.31**	**12,226,900**	**0.38**

The following share purchase warrants were outstanding and exercisable as at December 31, 2022:

Expiry Date	Exercise Price	Number of Warrants	Remaining Contractual Life (Years)
December 3, 2023	CAD $0.40	10,536,200	0.92
December 3, 2023	CAD $0.20	1,200,700	0.92
December 3, 2023	CAD $0.40	490,000	0.92
January 4, 2025	CAD $0.36	9,268,825	2.01
January 4, 2025	CAD $0.36	533,798	2.01
January 21, 2025	CAD $0.36	6,118,667	2.06
January 21, 2025	CAD $0.36	327,120	2.06
November 3, 2025	CAD $0.22	15,635,790	2.84
November 3, 2025	CAD $0.22	538,527	2.84
Total		**44,649,627**	
Weighted average years to expiry			2.02

Stock option plan

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

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11. SHARE CAPITAL (Continued)

Stock option plan (Continued)

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

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

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
Cancelled	(220,000)	0.21	-	-
Exercised	-	-	(133,333)	(0.10)
Balance, end of the period	**5,071,667**	**0.20**	**4,521,667**	**0.20**

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

Expiry Date	Exercise Price	Number of Options	Remaining Contractual Life (Years)
March 14, 2024	CAD $0.10	266,667	1.20
December 23, 2025	CAD $0.21	3,885,000	2.98
August 9, 2026	CAD $0.21	150,000	3.61
January 31,2025	CAD $0.19	50,000	2.09
January 31,2026	CAD $0.19	360,000	3.09
January 31,2027	CAD $0.19	360,000	4.09
Total		**5,071,667**	
Number of exercisable options		4,301,667	
Weighted average years to expiry			2.95

The Company recorded $181 (2021 - $596) in share-based compensation related to the vested stock options. A Monte Carlo model to value the options granted in 2022 was used due to the fact vesting is dependent on market conditions. A Black-Scholes option-pricing model for options granted in 2021 was used. The following weighted average assumptions were used in the models using the following assumptions:

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11. SHARE CAPITAL (Continued)

Stock option plan (Continued)

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

12. INCOME TAXES

A reconciliation of current income taxes at Canadian statutory rates of 27% with the reported taxes is as follows:

		Period ended December 31, 2022	Period ended December 31, 2021
Loss for the period	$	(1,485)	(1,776)
Expected income tax expense (recovery)		(401)	(479)
Change in statutory, foreign tax, foreign exchange rates and other		44	18
Permanent differences		72	306
Share issue cost		(48)	(67)
Change in unrecognized deductible temporary differences		333	222
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:

		2022		2021
Deferred tax assets (liabilities)				
Share issue costs	$	75	$	57
Non-capital loss available for future periods		567		254
		642		311
Unrecognized deferred tax assets		(642)		(311)
Net deferred tax assets	**$**	**-**	**$**	**-**

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:

For the year ended December 31, 2022 and period from December 1, 2020 to December 31, 2021 (Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)

12. INCOME TAXES (Continued)

	2022	Expiry Date Range	2021	Expiry Date Range
Temporary Differences				
Share issue costs	277	2042 to 2047	211	2042 to 2045
Non-capital losses available for future periods	2,420	2038 – 2042	1,089	2038 to 2041
Canada	1,454	2038 – 2042	630	2038 – 2041
Singapore	890	No expiry date	417	No expiry date
Papua New Guinea	76	2040 - 2042	42	2040 to 2041

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.		**Year ended December 31, 2022**	**Period ended December 31, 2021**
Net loss attributable to equity holders	$	(1,485)	$ (1,776)
Basic number of common shares		62,753,580	45,074,638
Basic loss per shares attributable to equity holders of the Company	**$**	**(0.02)**	**$ (0.04)**

14. DETERMINATION OF FAIR VALUES

The Group's financial instruments consist of cash and cash equivalents, 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, 2022**	**December 31, 2021**
Assets – Amortized Cost			
Cash and cash equivalents	$	311	649
Receivables		22	73
Liabilities – Amortized Cost			
Accounts payable and accrued liabilities		708	451

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;
- 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

For the year ended December 31, 2022 and period from December 1, 2020 to December 31, 2021 (Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)

14. DETERMINATION OF FAIR VALUES (Continued)

- 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 and cash equivalents, receivables and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

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, 2022	December 31, 2021
Cash at Canadian financial institutions	$	208	306
Cash at Singapore financial institutions		74	310
Cash at PNG financial institutions		29	33
Total		**311**	**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).

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.

15. FINANCIAL AND RISK MANAGEMENT (Continued)

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, 2022, 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	302	80	101	
Receivables		29	-	-	
Accounts Payable & accrued liabilities		(600)	(166)	(8)	
Net Exposure		(269)	(86)	93	
USD equivalents		**(199)**	**(64)**	**27**	**(236)**

Based on the above net exposures as at December 31, 2022, 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 $24.

As at December 31, 2021, 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	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 a decrease of approximately $21.

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.

15. FINANCIAL AND RISK MANAGEMENT (Continued)

***Capital 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"). The consulting fee was increased with effect from January 1 2022 to SGD $13,233. 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 year ended December 31, 2022, the Company incurred $121 in consulting fees (2021 - $81) to Axis. As at December 31, 2022, $23 (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 twelve months ended December 31, 2022, the Company incurred $157 in consulting fees (2021 - $113) to South Street. As at December 31, 2022, $34 (2021 - $13) was owing to South Street.

16. RELATED PARTY TRANSACTIONS (Continued)

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

As at December 31, 2022, $24 (2021 - $54 due from) was due to APEV and PEC which are related by way of common director.

In the period ended December 31, 2022, the Group incurred expenses through fees charged under the shared services agreement totalling $82 (2021 - $117) 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 motor vehicle from PEC of $14 (2021 - $67) included in additions to Property & Equipment (Note 8) during the period.

PEC recharged expenses incurred on the Company's behalf of $40 (2021 - $115) while the Company recharged costs relating employees seconded to PEC and associated expenses of $177 (2021 - $163) with additional consulting costs recharged to APEV of $44 (2021 - $141). During the year, working capital funds were provided to the Company totalling $192.

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 fees paid and share-based compensation related to the fair value of the stock options granted to these key management personal. Total fees paid to key management personal in the year ended December 31, 2022 were $396 (2021 - $325 million), including Director remuneration of $83 (2021 - $93) with $37 (2021 - $7) owing at December 31, 2022.

Key management personnel compensation comprised share-based compensation related to the fair value of the stock options granted to these key management personnel and its recognition in these consolidated financial statements on a graded vesting basis. During the 12 months ended December 31, 2022, share-based compensation for the key management personnel amounted to $181 (2021 - $596).

For the year ended December 31, 2022, Director remuneration totaled $83 (2021 - $93) with $37 (2021 - $7) owing at December 31, 2022.

For the year ended December 31, 2022 and period from December 1, 2020 to December 31, 2021 (Presented in thousands of United States Dollars, except for per share amounts; actual share numbers presented)

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

The Company has the following minimum expenditure commitments.

Next 12 months:

$511	Minimum exploration expenditure commitment for the first year of second term and second year at the granted exploration licenses.

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, 2022				December 31, 2021		
		Canada	**Singapore**	**PNG**	**Total**	**Singapore**	**PNG**	**Total**
Exploration and evaluation assets	$	-	-	6,198	6,198	$ -	4,166	4,166
Property and equipment		-	2	281	283	4	390	394
Deposits and prepaids		258	101	13	372	119	12	131
Investments		-	-	253	253	-	77	77

19. SUPPLEMENTARY CASH FLOW INFORMATION

Supplemental information regarding non-cash transactions is as follows:

During the period ended December 31, 2022:

- Exploration and evaluation assets included $57 of capitalised depreciation.
- Accounts payable and accrued liabilities included $110 of exploration and evaluation expenditures.
- Property and equipment included $14 as payable for equipment $14 acquired.

During the period ended December 31, 2021:

- Property and equipment included $67 other payable 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 periods ended December 31, 2021 and December 31, 2022, the Group did not pay any income taxes or interest.

20. SUBSEQUENT EVENTS

Private Placement

Subsequent to December 31, 2022, on January 24, 2023 the Company issued 7,098,940 units at CAD $0.11 for gross proceeds of $584 (CAD$781). 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 $0.22 per share for a three-year period.

Hardrock Limited Acquisition

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

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

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

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

Company Secretary
Pino Perrone

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