



SOUTH PACIFIC METALS CORP.

(formerly Kainantu Resources Ltd.)

CONSOLIDATED FINANCIAL STATEMENTS

(Presented in United States Dollars)

**FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2025
AND TWELVE MONTHS ENDED DECEMBER 31, 2023**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
South Pacific Metals Corp.

Opinion

We have audited the accompanying consolidated financial statements of South Pacific Metals Corp. (the "Company"), which comprise the consolidated statement of financial position as at March 31, 2025, and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the fifteen month period then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2025, and its financial performance and its cash flows for the period then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a net loss of \$2,556,034 during the period ended March 31, 2025 and, as of that date, the Company's total deficit was \$7,656,380. As stated in Note 1, these events and conditions 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.

Other Matters

The consolidated financial statements of the Company for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those statements on April 29, 2024.

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 of the current period. 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.



In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Assessment of Impairment Indicators of Exploration and Evaluation Assets ("E&E Assets")

As described in Note 9 to the consolidated financial statements, the carrying amount of the Company's E&E Assets was \$10,925,799 as of March 31, 2025. As more fully described in Note 3 and 4 to the consolidated financial statements, management assesses E&E Assets for indicators of impairment at each reporting period.

The principal considerations for our determination that the assessment of impairment indicators of the E&E Assets is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Assets, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue to explore and evaluate these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the E&E Asset.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the E&E Assets through discussion and communication with management.
- Reviewing the Company's recent expenditure activity and expenditure budgets for future periods.
- Assessing compliance with agreements including reviewing purchase agreements and vouching share issuances.
- Obtaining, on a test basis through government websites, confirmation of title to ensure mineral rights underlying the E&E Assets are in good standing.

Other Information

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

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

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

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

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

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

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

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

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

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

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

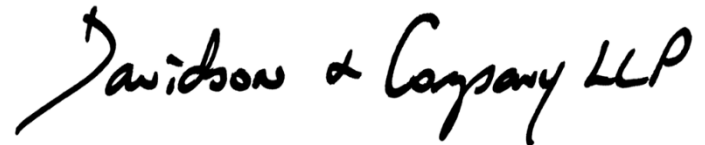
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of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

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

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

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 auditor's 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 auditor's report is Peter Maloff.

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

Vancouver, Canada

Chartered Professional Accountants

July 28, 2025

SOUTH PACIFIC METALS CORP.

(formerly Kainantu Resources Ltd.)

Consolidated Statements of Financial Position

(Presented in United States Dollars)

	Notes	March 31, 2025	December 31, 2023
ASSETS			
Current			
Cash and cash equivalents		\$ 3,581,403	\$ 1,345,201
Receivables	6	88,371	74,047
Prepaid expenses		70,942	30,615
		<u>3,740,716</u>	<u>1,449,863</u>
Non-Current			
Deposits and long-term prepaid assets	7	121,170	277,341
Property and equipment	8	67,382	49,248
Exploration and evaluation assets	9	10,925,799	9,617,866
		<u>11,114,351</u>	<u>9,944,455</u>
Total Assets		\$ 14,855,067	\$ 11,394,318
LIABILITIES			
Current			
Accounts payable and accrued liabilities	10 & 15	\$ 524,924	\$ 1,594,535
Promissory note	11	-	535,000
Short-term portion of convertible debentures	12	-	41,241
		<u>524,924</u>	<u>2,170,776</u>
Non-current			
Convertible debentures	12	-	699,004
Derivative portion of convertible debentures	12	-	303,519
		<u>-</u>	<u>1,002,523</u>
Shareholder's Equity			
Share capital	13	19,621,525	11,518,267
Reserves	13	2,335,773	1,701,656
Accumulated other comprehensive income		29,225	101,442
Deficit		<u>(7,656,380)</u>	<u>(5,100,346)</u>
		<u>14,330,143</u>	<u>8,221,019</u>
Total Liabilities and Shareholder's Equity		\$ 14,855,067	\$ 11,394,318

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

Approved and authorized by the board of directors on July 28, 2025:

“Geoff Lawrence”
Geoff Lawrence - Director

“Michael Murphy”
Michael Murphy - Director

SOUTH PACIFIC METALS CORP.

(formerly Kainantu Resources Ltd.)

Consolidated Statements of Loss and Comprehensive Loss

(Presented in United States Dollars)

		15-Months Ended March 31, 2025	12-Months Ended December 31, 2023
	Notes		
EXPENSES			
Accounting and legal		\$ 281,116	266,008
Corporate and administrative		391,326	166,913
Board and management	15	624,110	333,386
Marketing and investor relations		505,519	375,534
Project evaluation		-	3,702
Share-based payments	13 & 15	634,117	18,856
		<u>(2,436,188)</u>	<u>(1,164,399)</u>
OTHER (EXPENSE) INCOME			
Impairment of equipment		37,257	188,215
Interest and accretion	12	(12,227)	100,022
Loss on foreign exchange		13,756	25,551
(Gain) Loss on settlement of accounts payable		(218,940)	-
Loss on debt settlement	12	300,000	-
Loss on revaluation of derivative portion of convertible debentures	12	-	129,030
		<u>(119,846)</u>	<u>(442,818)</u>
Loss for the Period		<u>(2,556,034)</u>	<u>(1,607,217)</u>
Exchange difference on translation of foreign operations		(72,217)	22,010
Comprehensive Loss for the Period		<u>\$ (2,628,251)</u>	<u>\$ (1,585,207)</u>
Basic and diluted loss per share		\$ (0.07)	\$ (0.16)
Weighted average number of common shares outstanding - basic and diluted		36,112,938	9,817,891

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

SOUTH PACIFIC METALS CORP.

(formerly Kainantu Resources Ltd.)

Consolidated Statements of Cash Flows

(Presented in United States Dollars)

	15-Months Ended March 31, 2025	12-Months Ended December 31, 2023
OPERATING ACTIVITIES		
Loss for the period	\$ (2,556,034)	\$ (1,607,217)
Items not affecting cash:		
Share-based payments	634,117	18,856
Foreign exchange	(434)	(69,109)
Depreciation of equipment	12,425	2,050
Impairment of equipment	37,257	188,215
Interest and accretion	33,924	100,022
Gain on settlement of accounts payable	(205,751)	-
Loss on settlement of convertible debt	300,000	-
Loss on revaluation of derivative of convertible debentures	-	129,203
Changes in non-cash working capital items:		
Receivables	(14,324)	(52,201)
Prepaid expenses	(40,327)	138,264
Accounts payable and accrued liabilities	(850,671)	1,063,000
Net cash used in Operating Activities	(2,649,818)	(88,917)
INVESTING ACTIVITIES		
Payment for exploration and evaluation	(1,090,781)	(1,467,004)
Payments for property and equipment	(67,382)	(2,203)
Net cash used in Investing Activities	(1,158,163)	(1,469,207)
FINANCING ACTIVITIES		
Proceeds from private placement, net of issuance costs	6,651,400	1,551,000
Proceeds from convertible note financing	-	959,000
Share and debt issuance costs	-	(68,000)
Settlement of promissory note	(535,000)	-
Net cash provided by Financing Activities	6,116,400	2,442,000
Change in cash and cash equivalents during the period	2,308,419	1,034,125
Foreign exchange	(72,217)	22,010
Cash and cash equivalents - beginning of the period	1,345,201	311,319
Cash and cash equivalents - end of the period	\$ 3,581,403	\$ 1,345,201

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

SOUTH PACIFIC METALS CORP.

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Consolidated Statements of Changes in Shareholders' Equity

(Presented in United States Dollars)

	Note	Number of shares	Share Capital	Subscriptions in Advance	Reserves	Accumulated Other Comprehensive Income	Deficit	Total
Balance, December 31, 2022		7,632,895	\$ 8,976,000	\$ 55,000	\$ 1,284,000	\$ 79,432	\$ (3,493,129)	\$ 6,901,303
Private placements, net of issuance costs	13	9,547,394	1,701,794	(55,000)	174,872	-	-	1,821,666
Shares issued for mineral property	13	1,800,000	840,473	-	-	-	-	840,473
Warrants issued for mineral property	13	-	-	-	200,153	-	-	200,153
Warrants issued on issuance of convertible debentures	12 & 13	-	-	-	22,293	-	-	22,293
Finders fees warrants	13	-	-	-	1,482	-	-	1,482
Share based payments	13	-	-	-	18,856	-	-	18,856
Loss for the period		-	-	-	-	-	(1,607,217)	(1,607,217)
Foreign exchange translation		-	-	-	-	22,010	-	22,010
Balance, December 31, 2023		18,980,289	11,518,267	-	1,701,656	101,442	(5,100,346)	8,221,019
Private placements, net of issuance costs	13	25,625,000	6,651,400	-	-	-	-	6,651,400
Shares issued for mineral property	9 & 13	500,000	74,170	-	-	-	-	74,170
Shares issued to settle convertible debentures	12 & 13	6,748,631	1,377,688	-	-	-	-	1,377,688
Share based payments	13	-	-	-	634,117	-	-	634,117
Loss for the period		-	-	-	-	-	(2,556,034)	(2,556,034)
Foreign exchange translation		-	-	-	-	(72,217)	-	(72,217)
Balance, March 31, 2025		51,853,920	\$ 19,621,525	\$ -	\$ 2,335,773	\$ 29,225	\$ (7,656,380)	\$ 14,330,143

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

SOUTH PACIFIC METALS CORP.

(formerly Kainantu Resources Ltd.)

Notes to the Consolidated Financial Statements

Fifteen Months Ended March 31, 2025 and Twelve Months Ended December 31, 2023

(Presented in United States Dollars)

1. NATURE OF BUSINESS AND GOING CONCERN

South Pacific Metals Corp. ("SPMC" or the "Company") was incorporated under the Business Corporations Act (British Columbia) on July 4, 2018, as a Capital Pool Company under the policies of the TSX Venture Exchange (the "TSX-V"). On December 3, 2020, the Company completed its Qualifying Transaction (the "Transaction") by completing a reverse take-over of an Kainantu Resources Ltd., which owns title to certain mineral tenements making up the Kainantu project in Papua New Guinea ("PNG"). The Company is a mineral exploration company engaged in the acquisition and exploration of mineral properties in PNG. The Company's head office is located at 710 -1030 West Georgia Street, Vancouver, BC.

On February 6, 2024, the Company changed its name to South Pacific Metals Corp. The Company's shares trade on the TSX-V under the symbol SPMC, on the OTCQB under the symbol SPMEF and on the Frankfurt Stock Exchange under the symbol 6JO.

These consolidated financial statements have been prepared on the assumption that 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 ordinary course of business. The Company has incurred losses since inception and for the fifteen months ended March 31, 2025 incurred a net loss of \$2,556,034 and has an accumulated deficit of \$7,656,380 at March 31, 2025. The Company expects to incur further losses in the exploration of its mineral properties.

As the Company is in the exploration stage, the Company's ability to continue as a going concern and fund its exploration activity is dependent on the Company being able to draw down on its current cash, maintain cost control measures and raise additional capital. The ability to continue as a going concern remains dependent on the Company's capacity to obtain the additional financing necessary to continue to fund its mineral properties, the realization of future profitable production, proceeds from the disposition of its mineral interests, and/or other sources. The Company has been successful raising capital in the past and expects to have access to the resources to continue its operations for the foreseeable future but there can be no assurance that Company will have access to the capital markets.

These conditions indicate the existence of material uncertainties which may cast significant doubt on the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to adjustments to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

SOUTH PACIFIC METALS CORP.

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Notes to the Consolidated Financial Statements

Fifteen Months Ended March 31, 2025 and Twelve Months Ended December 31, 2023

(Presented in United States Dollars)

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements, including comparatives, have been prepared using accounting policies consistent with IFRS Accounting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRS Accounting Standards).

Change in fiscal year end

The Company has transitioned to a new fiscal year-end from December 31 to March 31, effective January 1, 2024. As a result, fiscal 2025 is a transition year that includes 15 months of operations, starting on January 1, 2024 and ending on March 31, 2025. The Company's subsequent 12-month financial year will begin on April 1, 2025 and end on March 31, 2026.

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 through profit and loss.

Consolidation

These consolidated financial statements include the financial statements of the Company and its controlled subsidiaries (together, the "Group"). Control is achieved when the Company has the power to, directly or indirectly, govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is obtained and continue to be consolidated until the date that such control ceases. Intercompany balances, transactions and unrealized intercompany gains and losses are eliminated upon consolidation. All intercompany transactions and balances have been eliminated on consolidation.

Company	Ownership %	Country of incorporation	Nature / Activities	Functional Currency
South Pacific Metals Corp.	-	Canada	Parent company	CAD
Kainantu Resources Pte Ltd.	100%	Singapore	Holding company	CAD
Kainantu Resources Ltd.	100%	Papua New Guinea	Mineral exploration	USD
KRL Kili Teke Resources Ltd.	100%	Papua New Guinea	Mineral exploration	USD
Hardrock Ltd.	100%	Papua New Guinea	Mineral exploration	USD
PNG Metals Ltd.	100%	Cayman Islands	Holding company	USD

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Notes to the Consolidated Financial Statements

Fifteen Months Ended March 31, 2025 and Twelve Months Ended December 31, 2023

(Presented in United States Dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION

Cash and cash equivalents

Cash and cash equivalents include cash on hand and cashable guaranteed investment certificates that may be redeemed at any time with insignificant change in value.

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.

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 evaluations assets. The costs are accumulated by areas of interest pending the determination of technical feasibility and commercial viability.

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

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the ability of the Company to obtain financing to complete the exploration and evaluation of the mineral resource properties, the existence of economically recoverable reserves and future profitable productions, or alternatively, 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.

SOUTH PACIFIC METALS CORP.

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Notes to the Consolidated Financial Statements

Fifteen Months Ended March 31, 2025 and Twelve Months Ended December 31, 2023

(Presented in United States Dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd...)

Impairment

Exploration and evaluation assets are assessed for impairment if facts and circumstance suggest that the carrying amount exceeds the recoverable amount.

Share capital

Common shares are classified as share capital. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

The proceeds from the issue of units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to share capital based on the fair value of the common shares and any residual value is allocated to common share purchase warrants.

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, 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. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

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Notes to the Consolidated Financial Statements

Fifteen Months Ended March 31, 2025 and Twelve Months Ended December 31, 2023

(Presented in United States Dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd...)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the group intends to settle its current tax assets and liabilities on a net basis.

Basic and diluted loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Contingently issuable common shares are not considered outstanding common shares and consequently are not included in basic and diluted loss per share calculations.

Contingent liabilities

The Company 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 costs of the asset as incurred.

Share-based payments

The Company has a share purchase option plan and accounts for share-based payments using a fair value-based method with respect to all share-based payments to directors, officers, employees, and service providers. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or if such fair value is not reliably measurable, at the fair value of the equity instruments issued. The fair value is recognized as an expense with a corresponding increase in contributed surplus. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of profit or loss over the remaining vesting period.

Upon the exercise of the share purchase option, the consideration received, and the related amount transferred from reserves are recorded as share capital. Upon forfeiture or expiry of stock options, any previously recorded share-based payments included in reserves remains in reserves.

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Notes to the Consolidated Financial Statements

Fifteen Months Ended March 31, 2025 and Twelve Months Ended December 31, 2023

(Presented in United States Dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd...)

Property and Equipment

Property and equipment includes office equipment, machinery and vehicles, which are carried at cost, less accumulated depreciation. Costs include expenditures directly attributable to bringing the asset to its operating location and condition necessary for it to operate in its intended manner. Repairs and maintenance costs are charged to expense as incurred. Expenditures incurred to significantly extend the useful life or result in operating improvements, including major inspection and overhaul expenditures, are capitalized.

Depreciation is based on the cost of the assets less estimated residual value and the expected useful life. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment and depreciated separately. Depreciation begins when an asset is available for use and is recorded until an asset is disposed of or otherwise removed from service. An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statements of loss and comprehensive loss.

The Company compares the carrying value of equipment to estimated net recoverable amounts to determine whether there is any indication of impairment. Estimates of remaining useful lives and residual values are reviewed annually.

Depreciation is recognized using the following rates:

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

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Notes to the Consolidated Financial Statements

Fifteen Months Ended March 31, 2025 and Twelve Months Ended December 31, 2023

(Presented in United States Dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd...)

Convertible debentures

Convertible debentures are separated into debt, derivative liability and equity components based on the residual value method. The value of the debt component is calculated at the estimated fair value of the future interest and principal payments due under the terms of the convertible debentures. The value of the derivative liability component is measured using a valuation model, with the residual value assigned to the equity component.

Transaction costs directly related to the debt component reduce the carrying value of the convertible debentures and are amortized over the lives of the convertible debentures using the effective interest rate method. Transaction costs related to the equity component of convertible debentures are recognized in the value of the equity component, net of deferred income tax.

Subsequent to initial recognition, the liability component of convertible debentures is measured at amortized cost using the effective interest rate method and is accreted up to its face value. The derivative component is remeasured using a valuation model. The equity component is not remeasured.

Once the allocation of the consideration is made, any resulting gain or loss is treated as follows:

- The amount of the gain or loss relating to the original liability component is recognized in the consolidated statements of loss and comprehensive loss; and
- The amount of consideration relating to the original equity component is recognized in equity. It comprises the amount transferred from convertible debentures equity reserve attributable to the extinguished convertible debentures, net of the amount of consideration relation to the equity component of convertible debentures upon their early extinguishment.

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3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd...)

Financial Instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

The measurement of the Company's financial instruments is disclosed in Note 14 to these consolidated financial statements. Any financial instrument that is valued using level 2 or 3 inputs will involve estimation uncertainty.

Financial Assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company's accounting policy for each of the categories is as follows:

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the statement of profit or loss in the period.

Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income (loss) in which they arise.

Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

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3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd...)

Impairment of financial assets at amortized cost: The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

Financial Liabilities

Financial liabilities and equity: Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recorded at the proceeds received, net of direct issue costs.

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss (FVTPL) – This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Amortized cost – This category consists of liabilities carried at amortized cost using the effective interest method. Accounts payable and accrued liabilities are included in this category. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Functional Currency and Presentation Currency

This policy sets out the principles adopted by the Group for determining the functional currency of its entities and the presentation currency of the consolidated financial statements, in accordance with the requirements of IAS 21 – The Effects of Changes in Foreign Exchange Rates (“IAS -21”).

Functional Currency

Each entity within the Group determines its functional currency based on the currency of the primary economic environment in which it operates. The functional currency is the currency that most faithfully represents the economic effects of the underlying transactions, events, and conditions of the entity.

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3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd...)

In determining the functional currency, the Group considers the following primary factors:

- The currency that mainly influences sales prices for goods and services;
- The currency of the country whose competitive forces and regulations mainly determine the sales prices;
- The currency that mainly influences labour, material, and other costs of providing goods or services.

Secondary factors that may also be considered include:

- The currency in which financing activities are conducted;
- The currency in which receipts from operating activities are retained.

The functional currency is reassessed only if there is a change in the underlying transactions, events, or conditions that determine the functional currency. A change in functional currency is applied prospectively from the date of change in accordance with IAS-21.

Presentation Currency

The consolidated financial statements are presented in United States Dollar (USD) which is the Group's presentation currency. This currency has been selected to facilitate comparability for international users and reflects the Group's global operating environment.

Where the functional currency of an individual entity differs from the presentation currency, financial statements are translated into the presentation currency using the following methodology:

- Assets and liabilities are translated at the closing exchange rate at the reporting date;
- Income and expenses are translated at exchange rates at the dates of the transactions (or an average rate for the period, if it approximates actual rates);
- All resulting exchange differences are recognized in other comprehensive income and accumulated in the foreign currency translation reserve within equity.

A change in presentation currency is accounted for retrospectively, as if the new presentation currency had always been used.

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3. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd...)

Foreign Currency Transactions

Transactions in currencies other than the functional currency are translated into the functional currency at the exchange rate on the date of the transaction. Monetary items denominated in foreign currencies are translated at the closing rate at the end of the reporting period. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction. Exchange differences are recognized in profit or loss, except when they are part of a net investment in a foreign operation or otherwise required to be recognized in other comprehensive income under IFRS.

Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

New and upcoming standards

Presentation and Disclosure in Financial Statements (IFRS 18) - IFRS 18 will replace IAS 1, Presentation of Financial Statements which aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss, in particular additional defined subtotals, disclosures about management-defined performance measures and new principles for aggregation and disaggregation of information. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 Statement of Cash Flows. IFRS 18 is effective from January 1, 2027. Companies are permitted to apply IFRS 18 before that date. The Company is not yet able to determine the impact to the consolidated financial statements from the adoption of this standard.

Certain other pronouncements were issued by the IASB but are not yet effective as at March 31, 2025. The Company intends to adopt these standards when they become effective but does not expect these amendments to have a material effect on its financial statements.

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical Judgements

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. The factors considered by management are disclosed in Note 1.

Impairment of exploration and evaluation assets

The carrying value and recoverability of exploration and evaluation assets requires management to make certain estimates, judgements and assumptions about each project. Management considers the economics of the project, including the latest resource prices and the long-term forecasts, and the overall economic viability of the project. If any indication of impairment exists, a formal estimate of recoverable amount is performed, and an impairment loss is recognized to the extent that the carrying amount exceeds recoverable amount. The recoverable amount is measured at the higher of fair value less cost to sell and value in use.

Key Sources of Estimation uncertainty

Deferred tax assets and liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

Share-based compensation

The Company measures the cost of share-based compensation by reference to the fair value of the equity instruments granted. Estimating fair value for share-based compensation requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

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5. MANAGEMENT OF CAPITAL

The Company is an exploration stage company, and this involves a high degree of risk. The Company has not determined whether its mineral properties contain economically recoverable reserves of ore. The Company's primary source of funds comes from the issuance of share capital. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Company defines its capital as equity. Capital requirements are driven by the Company's exploration activities on its mineral properties. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget on all exploration projects and overhead to manage costs, commitments, and exploration activities.

There have been no changes to the Company's approach to capital management during the fifteen months ended March 31, 2025.

6. ACCOUNTS RECEIVABLE

The Company's receivable balance of \$88,371 (December 31, 2023 - \$74,047) consists entirely of recoverable GST from the government of Canada.

7. DEPOSITS AND LONG-TERM PREPAID ASSETS

	March 31, 2025	December 31, 2023
License security deposits	\$ -	\$ 13,189
Long-term prepaid assets	121,170	264,152
	\$ 121,170	\$ 277,341

Deposits include security deposits pertaining to exploration licenses and certain prepaid assets that will be reclassified to exploration and evaluation assets.

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8. PROPERTY AND EQUIPMENT

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

During the 15-months ended March 31, 2025, the residual values of certain assets were reassessed, and management recognised an impairment loss of \$37,257 based on level 3 of the fair value hierarchy.

During the 15-months ended March 31, 2025, the Company acquired assets of \$67,382 that have not yet been amortized as they were not ready for their intended use as at March 31, 2025.

During the year ended December 31, 2023, certain assets remained unused, and management recognised an impairment loss of \$188,215 based on level 3 of the fair value hierarchy. These assets were not being amortized as they were not ready for their intended use.

Cost

	Office Equipment	Machinery & Equipment	Motor Vehicles	Total
December 31, 2022	\$ 21,516	\$ 274,820	\$ 104,245	\$ 400,581
Additions	3,012	-	-	3,012
Impairment	-	(188,215)		(188,215)
December 31, 2023	24,528	86,605	104,245	215,378
Additions	-	67,382	-	67,382
Impairment	(24,528)	(86,605)	(104,245)	(215,378)
March 31, 2025	\$ -	\$ 67,382	\$ -	\$ 67,382

Accumulated Depreciation

	Office Equipment	Machinery & Equipment	Motor Vehicles	Total
December 31, 2022	\$ 11,320	\$ 28,884	\$ 77,245	\$ 117,449
Depreciation	7,083	21,476	19,688	48,247
December 31, 2023	18,403	50,360	96,933	165,696
Depreciation	3,125	3,650	5,650	12,425
Impairment	(21,528)	(54,010)	(102,583)	(178,121)
March 31, 2025	\$ -	\$ -	\$ -	\$ -

Book Value

December 31, 2023	\$ 6,025	\$ 36,145	\$ 7,078	\$ 49,248
March 31, 2025	\$ -	\$ 67,382	\$ -	\$ 67,382

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9. EXPLORATION AND EVALUATION ASSETS

As at March 31, 2025, the company's exploration and evaluation assets are as follows:

	Kainantu	May River	Kili Teke	Total
Balance, December 31, 2022	\$ 6,197,853	\$ 1	\$ -	\$ 6,197,854
Acquisition costs	-	1,113,223	1,189,345	2,302,568
Exploration expenditures	1,117,444	-	-	1,117,444
Balance, December 31, 2023	7,315,297	1,113,224	1,189,345	9,617,866
Acquisition costs	74,170	-	-	74,170
Exploration expenditures	1,193,008	12,473	28,282	1,233,763
Balance, March 31, 2025	\$ 8,582,475	\$ 1,125,697	\$ 1,217,627	\$ 10,925,799

Additions included \$nil of capitalized depreciation (December 31, 2023 - \$48,125).

Kainantu Project

On December 3, 2020, the Company completed the Transaction with Kainantu Resources Ltd ("Kainantu"), which holds title to certain mineral claims that make up the Anga and Osen projects. As part of the Transaction, the Company will issue 500,000 common shares to the original shareholders of Kainantu on a pro-rata basis once the Company has met certain conditions.

On January 16, 2025, the Company satisfied the conditions and issued 500,000 shares with a fair value of \$74,170 to the original shareholders of Kainantu.

Kili Teke Project

On April 6, 2022, the Company entered into an asset sale and royalty agreement with Harmony Gold (PNG) Exploration Limited ("Harmony") to acquire certain mineral claims ("Kili Teke Claims") that make up the Kili Teke project. To acquire the Kili Teke Claims, the Company must pay \$500,000, less assumed liabilities of \$19,265, on completion of the agreement (paid) and by making a final cash payment of \$500,000 and issuing 1,125,725 warrants after receipt of evidence of a favourable decision by the Minister of Mining to extend the term of the tenement.

During the year ended December 31, 2023, the Company completed the acquisition of the Kili Teke Claims by making the final cash payment of \$500,000 and by issuing 1,125,725 warrants with a fair value of \$200,152. The warrants have an exercise price of \$1.95 per share and are exercisable into one common share of the Company until September 14, 2025.

May River Project

On June 15, 2021 the Company entered in an option agreement to acquire 100% of Hardrock Ltd ("Hardrock"), a PNG company that owns title to the claims that make up the May River project. The Company could acquire 10% under the first option payment by making certain cash (paid) and share issuances (issued). Total cash and shares issuance under the first option payment totalled \$266,218. Under the option agreement, the Company may acquire the remaining 90% by making the second option payment that includes certain cash and share issuances.

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9. EXPLORATION AND EVALUATION ASSETS (Cont'd...)

On March 17, 2023, the Company and the original shareholders of Hardrock entered into an amending share sale agreement whereby the Company could acquire the remaining 90% of Hardrock by issuing 1,800,000 common shares of the Company to the original shareholders. During the year ended December 31, 2023, the Company completed the 100% acquisition of Hardrock by issuing 1,800,000 common shares at a fair value of \$840,473 and incurring legal fees of \$6,532.

During the fifteen months ended March 31, 2025, the Company incurred \$1,233,764 in exploration expenditures on the property, as follows:

	Kainantu	May River	Kili Teke	Total
Exploration and evaluation costs:				
Assays and analysis	\$ 5,567	\$ -	\$ -	\$ 5,567
Consultants and contractors	550,174	12,473	5,171	567,818
Employees and labour	165,805	-	-	165,805
Field, camp and supply	228,920	-	23,111	252,031
Travel and accommodation	46,489	-	-	46,489
Vehicles, logistics and support	196,053	-	-	196,053
	\$ 1,193,008	\$ 12,473	\$ 28,282	\$ 1,233,763

During the twelve months ended December 31, 2023, the Company incurred \$1,117,444 in exploration expenditures on the property, as follows:

	Kainantu	Total
Exploration and evaluation costs:		
Assays and analysis	\$ 61,045	\$ 61,045
Consultants and contractors	206,105	206,105
Employees and labour	357,035	357,035
Field, camp and supply	264,193	264,193
Travel and accommodation	56,965	56,965
Vehicles, logistics and support	172,101	172,101
	\$ 1,117,444	\$ 1,117,444

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10. ACCOUNTS PAYABLE

Accounts payable and accrued liabilities comprise the following:

	March 31, 2025	December 31, 2023
Trade payables	\$ 126,232	\$ 1,594,535
Disputed payables	350,000	-
Accrued liabilities	48,692	-
	<u>\$ 524,924</u>	<u>\$ 1,594,535</u>

Disputed payables include accounts payable balances that were the result of previous management, which have not been substantiated as legitimate payables by the Company's new management team. The Company has exhausted its attempts to substantiate the legitimacy of these payable balances with no further communication from the vendors. As a result, the Company will deny payment and will vigorously defend itself against any claims for payment that may arise from the associated vendors.

11. PROMISSORY NOTE

On November 27, 2023, the Company issued a \$500,000 promissory note to an arm's length lender. The note is non-interest bearing and due on demand. During the year ended December 31, 2023, the Company incurred a commitment fee of \$35,000 on issuance of the promissory note. During the fifteen months ended March 31, 2025, the promissory note and commitment fee were paid in full.

12. CONVERTIBLE DEBENTURES

During the year ended December 31, 2023, the Company completed a private placement of unsecured convertible debentures of the Company at a price of CAD\$0.80 per unit for gross proceeds of CAD\$1,270,000. Each unit consists of: (i) one convertible debenture, convertible into one common share of the Company at a price of CAD\$0.80; and (ii) one detachable warrant to purchase another common share of the Company at a price of CAD\$1.20 per warrant.

Each convertible debenture matures on the date that is 36 months from the date of issuance of the convertible debenture. On the maturity date, the outstanding principal amount of the convertible debenture shall be repaid in cash. The principal amount shall be convertible, for no additional consideration, after 12 months from issuance.

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12. CONVERTIBLE DEBENTURES (Cont'd...)

In the event that at any time following 18 months after the date hereof:

- The 60-day VWAP is equal to or greater than 200% of the Conversion Price, the Company will thereafter be entitled, at any time or multiple times up to the maturity date, to convert up to 50% of the outstanding principal amount of this Debenture, as determined by the Company, into common shares at the Conversion Price; and
- The 60-day VWAP is equal to or greater than 300% of the Conversion Price, the Company will thereafter be entitled, at any time or multiple times up to the maturity date, to convert all or a portion of the outstanding principal amount of this Debenture, as determined by the Company, into common shares at the Conversion Price.

The convertible debentures bear interest at a rate of 10% per annum from the date of issue to be paid in cash on an annual basis. The interest will be payable in arrears on the earlier of the conversion of the convertible debentures and the maturity date. If the conversion of the convertible debentures occurs prior to the maturity date, the holder of the convertible debentures shall be entitled to all accrued and outstanding unpaid interest. The conversion feature is subject to an anti-dilution clause in the event the Company issues equity securities at a price lower than CAD\$0.80 per share.

The convertible debentures contain a financial liability component, a derivative liability component and an equity component, being the detachable warrants which grant the holder the option to acquire an equity interest in the Company. The Company bifurcated the convertible debentures using a discounted cash flow model with discounted rate of 17.80% and recognized a financial liability of \$749,000 at initial recognition, representing the host feature of the debt.

The derivative portion, represent the conversation feature was valued using the Black-Sholes option pricing model with the following assumptions:

Risk free interest rate	-	4.29-4.47%
Expected life of options		3 years
Expected volatility (based on comparable companies)		116.26-128.82%
Forfeiture rate		0.00%
Dividend yield		Nil
Exercise price		CAD \$0.80
Share price on revaluation		CAD \$0.25-\$0.35

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12. CONVERTIBLE DEBENTURES (Cont'd...)

The derivative liability component was revalued at December 31, 2023 using the Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	-	3.67%
Expected life of options		2.45-2.77 years
Expected volatility (based on comparable companies)		132.91-136.52%
Forfeiture rate		0.00%
Dividend yield		Nil
Exercise price		CAD \$0.80
Share price on revaluation		CAD \$0.40

The residual value was then allocated to the equity component, consisting of the detachable warrants.

The derivative portion of the convertible debentures was revalued at December 31, 2023, and a loss was recognized in the year ended December 31, 2023 of \$129,030.

The Company is also required to complete a share consolidation with one year of issuing the convertible debentures. If not completed, the holder has the option to cause the Company to redeem the convertible debenture. On February 6, 2025, the Company completed a 10:1 share consolidation (Note 13).

Each warrant is exercisable into one common share of the Company at a price of CAD\$1.20 for a period of 36 months from issuance.

The Company paid \$50,000 in debt issuance costs and issued an additional 17,500 broker warrants. Each broker warrant will entitle the holder to acquire one common share at an exercise price of CAD\$1.20 within 36 months from issuance. The fair value of these broker warrants was estimated using the Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	-	4.31%
Expected life of options		3 years
Expected volatility (based on comparable companies)		119.63%
Forfeiture rate		0.00%
Dividend yield		Nil
Exercise price		CAD \$1.20
Share price on grant date		CAD \$0.25
Fair value per warrant		CAD \$0.11

On March 20, 2024, the Company completed a share-for-debt transaction to settle the outstanding principal amount of \$763,486 plus accrued interest of \$61,769 owed to the 10% secured convertible debenture holders. In total, the Company issued 6,748,631 common shares of the Company valued at \$1,377,688 resulting in a loss on settlement of \$586,220.

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12. CONVERTIBLE DEBENTURES (Cont'd...)

The derivative liability component was revalued at March 20, 2024 using Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	-	4.14%
Expected life of options		2.26-2.49 years
Expected volatility (based on comparable companies)		133.55-139.29%
Forfeiture rate		0.00%
Dividend yield		0.00%
Exercise price		CAD \$0.80
Share price on revaluation		CAD \$0.27

The derivative portion of the convertible debentures was revalued at March 20, 2024 and a gain was recognized in the fifteen months ended March 31, 2025 of \$286,220 (December 31, 2023 - \$Nil).

The reconciliation of convertible debentures is as follows:

	March 31, 2025	December 31, 2023
Balance		
January 1		
Convertible		
debentures	\$ 740,245	\$ 959,795
Debt issuance costs	-	(47,205)
Derivative liability component	-	(174,265)
Equity component	-	(22,135)
	740,245	716,190
Accretion and interest expense	34,146	24,055
Settlement	(774,391)	-
Closing balance,	\$ -	\$ 740,245
Current portion	\$ -	\$ 41,245
Non-current portion	-	699,000

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13. SHARE CAPITAL

(a) Authorized share capital

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

(b) Issued and outstanding

As at March 31, 2025, the issued share capital was comprised of 51,853,920 common shares (December 31, 2023 - 18,980,289).

During the fifteen months ended March 31, 2025, the Company issued common shares as follows:

- On February 3, 2025, the Company completed a private placement and issued 13,125,000 Units at a price of \$0.33 (CAD\$0.48) per share for gross proceeds of \$4,314,240 (CAD\$6,300,000). Each Unit consists of one common share and one-half common share purchase warrant with each full warrant exercisable into one common share of the Company at a price of CAD\$0.90 per share for a period of two years. The Warrants contain an expiry acceleration provision such that if the volume weighted average trading price of the shares on the TSX-V is equal to or greater than CAD\$1.40 for a period of 10 consecutive days, the Company has the right to accelerate the expiry date of the Warrants by providing notice that the Warrants will expire on the date that is not less than 10 days from the date such notice is provided by the Company to the Warrant holders. In connection with the private placement, the Company paid finders fees of \$17,056.
- On May 28, 2024, the Company completed a private placement and issued 3,750,000 Units at a price of \$0.29 (CAD\$0.40) per share for gross proceeds of \$1,099,800 (CAD\$1,500,000). Each Unit consists of one common share and one common share purchase warrant exercisable into one common share of the Company at a price of CAD\$0.90 per share for a period of two years. If the volume weighted average trading price of the common shares on the TSX-V is equal to or greater than CAD\$1.20 for a period of 30 consecutive days, the Company will have the right to accelerate the expiry date of the warrants by giving written notice that the warrants will expire on the date that is not less than 10 days from the date such notice is provided by the Company to the warrant holder.
- On April 18, 2024, the Company completed a private placement and issued 7,500,000 common shares at a price of \$0.15 (CAD\$0.20) per share for gross proceeds of \$1,091,100 (CAD\$1,500,000). In connection with the private placement, the Company paid finders fees of \$23,859.
- On March 20, 2024, the Company completed a share-for-debt transaction to settle the outstanding principal and accrued interest owing to the secured convertible debenture holders (Note 12). In total, the Company issued 6,748,631 common shares of the Company with a fair value of \$1,377,688.

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13. SHARE CAPITAL (cont'd...)

(b) Issued and outstanding (cont'd...)

- On February 6, 2024, the Company completed a consolidation of the issued and outstanding shares of the Company at a ratio of ten (10) pre-consolidation common shares for one (1) post-consolidation common share (the "Consolidation").
- On January 16, 2024, the Company issued 500,000 shares with a fair value of \$74,170 to the original shareholders of Kainantu as per as part of the Transaction (Note 9).
- On January 3, 2024, the Company completed the closure of the second round and final tranche of its previously announced private placement financing and issued an aggregate of 1,250,000 shares at a price of \$0.15 (CAD\$0.20) per share to raise gross proceeds of \$187,175 (CAD\$250,000).

During the year ended December 31, 2023, the Company issued common shares as follows:

- On December 1, 2023, the first tranche of a private placement was completed. The Company issued 8,750,000 common shares total proceeds of \$1,332,716 (CAD\$1,750,000). An additional 87,500 common shares were issued to certain finders with a value of \$15,922. The Company issued 87,500 warrants to certain finders with a value of \$15,922. Each warrant entitles the holder to acquire a common share of the Company at an exercise price of CAD\$0.50 per common share until December 22, 2026.
- On April 11, 2023, the Company issued 1,800,000 common shares with a fair value of \$840,473 to complete the acquisition of the remaining 90% interest in the May River project from the original Hardrock shareholders (Note 8). The common shares issued contain a trading restriction where the first 50% of shares issued cannot be traded for a period of 1 year from issuance, and the remaining 50% cannot be traded for a period of 2 years from issuance.
- On January 24, 2023, the Company completed the second tranche of a private placement with the Company issuing 709,894 common shares and 709,894 warrants for total proceeds of \$587,950 (CAD\$781,000). Each warrant entitles the holder to acquire a common share of the Company at an exercise price of CAD\$2.00 per common share until January 24, 2026. As at December 31, 2022, the Company had received \$55,000 for share subscriptions in advance from the private placement.

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13. SHARE CAPITAL (cont'd...)

(c) Stock options

The Company currently has Omnibus Plan, which was last approved by the shareholders of the Company on December 15, 2023. 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.

As at March 31, 2025 and December 31, 2023, the Company had the following changes in stock options outstanding:

	March 31, 2025	Weighted Average Exercise Price \$CAD	December 31, 2023	Weighted Average Exercise Price \$CAD
Opening balance	408,667	\$ 1.96	507,167	\$ 2.00
Granted	3,275,000	\$ 0.45	-	\$ -
Expired/cancelled	(693,667)	\$ 0.96	(98,500)	\$ 0.50
Ending balance	2,990,000	\$ 0.56	408,667	\$ 1.96

As at March 31, 2025, 1,565,000 (December 31, 2023 – 398,667) options were exercisable.

- On February 3, 2025, the Company granted 250,000 stock options to a director. The stock options are exercisable at CAD\$0.49 for a period of five years.
- On December 10, 2024, the Company granted 250,000 stock options to a director. The stock options are exercisable at CAD\$0.51 for a period of five years.
- On November 5, 2024, the Company granted 75,000 stock options to a consultant. The stock options are exercisable at CAD\$0.58 for a period of five years.
- On September 5, 2024, the Company granted 150,000 stock options to a consultant. The stock options are exercisable at CAD\$0.60 for a period of five years.

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13. SHARE CAPITAL (cont'd...)

(c) Stock options (cont'd)

- On June 4, 2024, the Company granted 600,000 stock options to a director, officers and consultant. The stock options are exercisable at CAD\$0.51 for a period of five years.
- On April 15, 2024, the Company granted 1,950,000 stock options to certain directors and officers. The stock options are exercisable at CAD\$0.42 for a period of five years.

As at March 31, 2025 the following stock options were outstanding:

Expiry Date	March 31, 2025			December 31, 2023	
	Exercise price \$CAD	Options	Remaining Contractual Life (years)	Options	Remaining Contractual Life (years)
March 14, 2024	\$1.00	-	-	26,667	0.20
January 7, 2024	\$2.10	-	-	75,000	0.02
January 7, 2024	\$1.90	-	-	6,000	0.02
January 9, 2024	\$2.10	-	-	87,500	0.02
January 9, 2024	\$1.90	-	-	20,000	0.02
April 30, 2025 *	\$0.42	200,000	0.08	-	-
December 23, 2025	\$2.10	145,000	0.73	153,500	1.98
August 9, 2026	\$2.10	-	-	15,000	2.61
January 31, 2025	\$1.90	-	-	5,000	1.09
January 1, 2026	\$1.90	10,000	0.76	10,000	2.09
January 1, 2027	\$1.90	10,000	1.76	10,000	3.09
April 15, 2029	\$0.42	1,300,000	4.04	-	-
June 4, 2029	\$0.51	600,000	4.18	-	-
September 5, 2029	\$0.60	150,000	4.44	-	-
November 5, 2029	\$0.58	75,000	4.60	-	-
December 10, 2029	\$0.51	250,000	4.70	-	-
February 3, 2030	\$0.49	250,000	4.85	-	-
		2,990,000	3.78	408,667	0.95

* On April 30, 2025, 200,000 options expired unexercised.

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13. SHARE CAPITAL (cont'd...)

(c) Stock options (cont'd)

During the fifteen months ended March 31, 2025, the Company recorded \$634,117 (2023 - \$18,856) in share-based compensation expense relating to the granting and vesting of incentive stock options. The fair value of stock options granted was calculated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	March 31, 2025	December 31, 2023
Risk-free interest rate	3.46%	0.00%
Expected dividend yield	-	-
Expected stock price volatility	128.82%	0.00%
Expected option life in years	5	0.00
Forfeiture rate	0%	0%
Fair value on grant date (\$CAD)	\$0.40	\$0.00

(d) Warrants

As at March 31, 2025 and December 31, 2023, the Company had the following changes in share purchase warrants outstanding:

	March 31, 2025	Weighted Average Exercise Price \$CAD	December 31, 2023	Weighted Average Exercise Price \$CAD
Opening balance	6,770,392	\$ 1.96	4,464,963	\$ 2.00
Granted	10,312,500	\$ 0.90	3,528,119	\$ -
Expired/cancelled	(1,624,841)	\$ 3.60	(1,222,690)	\$ 0.50
Ending balance	15,458,051	\$ 1.26	6,770,392	\$ 1.96

- On September 14, 2023, the Company issued 1,125,725 warrants with a fair value of \$200,152 as part of the consideration for the Kili Teke project (Note 9). The warrants have an exercise price of CAD\$2.80 per share and are exercisable into one common share of the Company until September 14, 2025.

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13. SHARE CAPITAL (cont'd...)

(d) Warrants (cont'd...)

As at March 31, 2025 and December 31, 2023, the following share purchase warrants were outstanding:

Expiry Date	Exercise price \$CAD	March 31, 2025		December 31, 2023	
		Warrants	Remaining Contractual Life (years)	Warrants	Remaining Contractual Life (years)
January 4, 2025	\$3.60	-	-	926,883	1.01
January 4, 2025	\$3.60	-	-	53,379	1.01
January 21, 2025	\$3.60	-	-	611,867	1.06
January 21, 2025	\$3.60	-	-	32,712	1.06
November 3, 2025	\$2.20	1,563,579	0.59	1,563,579	1.84
November 3, 2025	\$2.20	53,853	0.59	53,853	1.84
January 24, 2026	\$2.20	709,894	0.82	709,894	2.07
June 22, 2026	\$1.20	560,551	1.23	560,551	2.48
July 18, 2026	\$1.20	439,449	1.30	439,449	2.55
September 1, 2026	\$1.20	387,500	1.42	387,500	2.67
September 1, 2026	\$1.20	17,500	1.42	17,500	2.67
September 14, 2026	\$2.80	1,125,725	1.46	1,125,725	2.71
September 15, 2026	\$1.20	200,000	1.46	200,000	2.71
December 22, 2026	\$0.50	87,500	1.73	87,500	2.98
May 28, 2026	\$0.90	3,750,000	1.16	-	-
February 3, 2027	\$0.90	6,562,500	1.85	-	-
		15,458,051	1.42	6,770,392	2.00

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13. SHARE CAPITAL (cont'd...)

(d) Warrants (cont'd...)

During the year ended December 31, 2023, the fair value of the finders' warrants granted was calculated using the Black-Scholes Option-Pricing Model using the following weighted average assumptions:

	Warrants Issued for Kili-Teke – Issued September 14, 2023	Finders Warrants – Tranche 1 Issued December 23, 2023
Assumptions:		
Risk-free interest rate	4.43%	3.78%
Expected life of options	3 years	3 years
Expected volatility (based on comparable companies)	127.13%	129.48%
Dividend yield	Nil	Nil
Forfeiture rate	0.0%	0.0%
Exercise price	\$2.80	\$0.50
Share price on grant date	\$0.50	\$0.35
Fair value per warrant (\$CAD)	\$0.24	\$0.25

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14. FINANCIAL RISK MANAGEMENT

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

This note presents information about the Company'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 consolidated financial statements.

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

Credit risk

Credit risk is the risk of financial loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash 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:

	March 31, 2025	December 31, 2023
Cash at Canadian financial institutions	\$ 3,518,278	\$ 1,341,101
Cash at Singapore financial institutions	-	3,025
Cash at PNG financial institutions	63,125	1,075
Total	\$ 3,581,403	\$ 1,345,201

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting their financial liabilities that are settled in cash or other financial assets. The Company'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 accounts payable are subject to normal trade terms. The Company expects to settle its financial liabilities within normal trading terms.

Market risk

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

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14. FINANCIAL RISK MANAGEMENT (Cont'd...)

Foreign currency risk

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

As at March 31, 2025, 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	\$ / \$/ K	5,057,904	-	257,708	
Receivables		127,043	-	-	
Accounts Payable & accrued liabilities		(859,198)	-	(353,374)	
Net Exposure		4,325,749	-	(95,666)	
USD equivalents		3,008,991	-	(23,622)	2,985,369

Based on the above net exposures as at March 31, 2025 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 change of approximately \$298,537.

As at December 31, 2023, 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	\$ / \$/ K	1,780,100	-	2,000	
Receivables		71,150	-	-	
Accounts Payable & accrued liabilities		(1,166,250)	(490,100)	(360,000)	
Net Exposure		685,000	(490,100)	(358,000)	
USD equivalents		518,000	(371,000)	(95,000)	52,000

Based on the above net exposures as at December 31, 2023, 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 \$5,200.

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15. RELATED PARTY TRANSACTIONS

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is a related party transaction when there is a transfer of resources or obligations between related parties.

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has identified its directors and officers as its key management personnel and the compensation costs for key management personnel and companies related to them are recorded at their exchange amounts as agreed upon by transacting parties.

Key Management Compensation

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

Remuneration for key management personnel of the Company was as follows:

	March 31, 2025	December 31, 2023
Consulting fees	\$ 494,164	\$ 403,250
Share-based compensation	513,731	18,856
	<u>\$ 1,007,895</u>	<u>\$ 422,106</u>

As at March 31, 2025, \$3,885 (December 31, 2023 - \$99,125) was due to directors and officers of the Company.

Convertible Dentures

During the year ended December 31, 2023, the Company issued secured convertible debenture units with a fair value of \$992,072 (Note 12). A company controlled by a director of the Company, and a director of the Company participated in the offering and subscribed for a combined fair value total of \$305,185. On March 20, 2024, the Company completed a share-for-debt transaction to settle the outstanding principal and accrued interest owing to the secured convertible debenture holders (Note 12 & 13). In total, the Company issued 6,748,631 common shares of the Company with a fair value of \$1,377,688.

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16. COMMITMENTS AND CONTINGENCIES

The Company 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. Over the course of the next twelve months, the Company has tenement rental fees, tenement renewal application fees and minimum required exploration expenditures of \$383,393.

17. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	March 31, 2025	December 31, 2023
Loss before income taxes	\$ 2,556,034	\$ 1,606,785
Expected income tax recovery	(690,000)	(436,000)
Change in statutory, foreign tax, foreign exchange rates and other	29,000	(18,000)
Permanent differences	174,000	62,000
Share issue costs	(11,000)	-
Adjustment to prior year tax estimates	54,000	(34,000)
Change in unrecognized deductible temporary differences	444,000	426,000
Income tax expense (recovery)	\$ -	\$ -

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17. INCOME TAXES (Cont'd...)

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

	March 31, 2025		Expiry Date Range		December 31, 2023		Expiry Date Range	
Temporary Differences								
Share issue costs	147,000		2046 to 2049		232,000		2044 to 2048	
Allowable capital losses	179,000		No expiry date		-		No expiry date	
Property and equipment	393,000		No expiry date		351,000		No expiry date	
Convertible debenture	-		No expiry date		131,000		No expiry date	
Non-capital losses	5,341,000		2014 to 2045, no expiry		3,706,000		2041 to 2044, no expiry	
Canada	3,755,000		2042 to 2045		2,202,000		2042 to 2044	
Singapore	1,415,000		No expiry date		1,394,000		No expiry date	
Papua new Guinea	171,000		2041 to 2045		110,000		2041 to 2044, no expiry	

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

18. SUPPLEMENTAL CASH FLOW INFORMATION

	March 31, 2025		December 31, 2023	
Significant non-cash investing activities consisted of:				
Common shares issued for mineral properties	\$	74,170	\$	-
Capitalized depreciation included in exploration and evaluation assets	\$	8,125	\$	46,125
Accounts payable and accrued liabilities included in exploration	\$	49,603	\$	250,225
Funds from the issuance of the Promissory Note (Note 11) were sent directly by the lender to the holders of the Kili Teke license upon acquisition	\$	-	\$	500,000

During the fifteen months ended March 31, 2025, the Company Paid \$Nil (December 31, 2023 - \$Nil) in income taxes and interest.

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19. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

- On June 3, 2025, the Company granted 500,000 stock options to an officer of the company. The stock options are exercisable at CAD\$0.50 for a period of five years.
- On June 30, 2025, the Company granted 200,000 stock options to an officer of the company. The stock options are exercisable at CAD\$0.49 for a period of five years.
- On June 30, 2025, the Company granted 1,000,000 restricted share units (“RSUs”) to certain directors and officers of the Company. 300,000 RSUs vest 100% on the first anniversary of the grant date with the remaining 700,000 RSUs vesting one-third on the first, second and third anniversary of the grant date.