

**XAU Resources Inc.**  
**(A Capital Pool Company)**

**Financial Statements**  
**(Expressed in Canadian Dollars)**

**For the three months**  
**ended January 31, 2022**  
**and 2021**

**NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS**

The accompanying unaudited interim financial statements of the company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the CPA Canada for a review of interim financial statements by an entity's auditor.

**XAU RESOURCES INC.**  
**(A Capital Pool Company)**  
**INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION**  
**(Expressed in Canadian Dollars)**

	<b>January 31, 2022</b>	<b>October 31, 2021</b>
	<b>\$</b>	<b>\$</b>
	<b>(unaudited)</b>	
<b>Assets</b>		
Current Assets		
Cash	135,012	199,235
<b>Total Current Assets</b>	<b>135,012</b>	<b>199,235</b>
<b>Total Assets</b>	<b>135,012</b>	<b>199,235</b>
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities		
Accounts payable and accrued liabilities	17,590	38,287
<b>Total Liabilities</b>	<b>17,590</b>	<b>38,287</b>
Shareholders' Equity		
Share capital (Note 3)	531,767	531,767
Contributed surplus (Note 3)	86,467	86,467
Deficit	(500,812)	(457,286)
<b>Total Shareholders' Equity</b>	<b>117,422</b>	<b>160,948</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>135,012</b>	<b>199,235</b>

**Subsequent event (Note 6)**

**On Behalf of the Board:**

\_\_\_\_\_  
 "Andrey Maruta" Director

\_\_\_\_\_  
 "Gairat Gary Bay" Director

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

**XAU RESOURCES INC.**  
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**INTERIM CONDENSED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS**  
**(Expressed in Canadian Dollars)**  
**(unaudited)**

	<b>For the three months ended January 31, 2022 \$</b>	<b>For the three months ended January 31, 2021 \$</b>
<b>Expenses</b>		
Professional fees	42,030	3,612
Registration and filing	1,496	973
<b>Total expenses</b>	<b>43,526</b>	<b>4,585</b>
<b>Loss and comprehensive loss</b>	<b>(43,526)</b>	<b>(4,585)</b>
<b>Loss per common share</b>	<b>(0.01)</b>	<b>(0.00)</b>
<b>Weighted average number of common shares outstanding</b>	<b>4,524,925</b>	<b>4,524,925</b>

The accompanying notes are an integral part of these unaudited interim condensed financial statements.

**XAU RESOURCES INC.**  
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**INTERIM CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**(Expressed in Canadian Dollars)**  
**(unaudited)**

	Share Capital		Contributed		
	Shares	Amount	Surplus	Deficit	Total
<b>Balance, November 1, 2020</b>	<b>8,611,500</b>	<b>\$ 531,767</b>	<b>\$ 86,467</b>	<b>\$ (264,405)</b>	<b>\$ 353,829</b>
Loss for the three-months	-	-	-	(4,585)	(4,585)
<b>Balance, January 31, 2021</b>	<b>8,611,500</b>	<b>\$ 531,767</b>	<b>\$ 86,467</b>	<b>\$ (259,820)</b>	<b>\$349,244</b>
<b>Balance, November 1, 2021</b>	<b>8,611,500</b>	<b>\$ 531,767</b>	<b>\$ 86,467</b>	<b>\$ (457,286)</b>	<b>\$160,948</b>
Loss for three-months	-	-	-	(43,526)	(43,526)
<b>Balance, January 31, 2022</b>	<b>8,611,500</b>	<b>\$ 531,767</b>	<b>\$ 86,467</b>	<b>\$ (500,812)</b>	<b>\$117,422</b>

The accompanying notes are an integral part of these unaudited interim condensed financial statement

**XAU RESOURCES INC.**  
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**INTERIM CONDENSED STATEMENTS OF CASH FLOWS**  
**(Expressed in Canadian Dollars)**  
**(unaudited)**

	<b>For the three months ended January 2022 \$</b>	<b>For the three months ended January 2021 \$</b>
<b>Cash Flows from Operating Activities</b>		
Loss for the period	(43,526)	(4,585)
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	(20,697)	(6,077)
<b>Net cash used in operating activities</b>	<b>(64,223)</b>	<b>(10,662)</b>
<b>Change in cash</b>	<b>(64,223)</b>	<b>(10,662)</b>
<b>Cash, beginning of the period</b>	<b>199,235</b>	<b>366,433</b>
<b>Cash, end of the period</b>	<b>135,012</b>	<b>355,771</b>

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**XAU RESOURCES INC.**  
**(A Capital Pool Company)**  
**NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**  
**For the Three Months Ended January 31, 2022 and 2021**  
**(unaudited)**

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**1. NATURE OF OPERATIONS**

XAU Resources Inc. (the “Company”) was incorporated under the *Canada Business Corporations Act* on June 18, 2018. The Company is in the process of completing an Initial Public Offering (“IPO”) to be classified as a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (“TSX-V”) Policy 2.4. The principal business of the Company is the identification and evaluation of assets or a business (Qualifying Transaction) and, once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities.

On July 18, 2019, the Company completed its Initial Public Offering (“IPO”) of 4,411,500 common shares at a purchase price of \$0.10 per common share for aggregate proceeds of \$441,150. These IPO proceeds may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company, not related to the Qualifying Transaction. These restrictions apply until completion of a Qualifying Transaction by the Company as defined under the Exchange policy 2.4.

The Company’s head office, principal address and registered and records office is located at Suite 4100, 66 Wellington Street West, Toronto, Ontario, Canada, M5K 1B7.

These financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company’s continuing operations, as intended, are dependent upon its ability to identify, evaluate and negotiate an acquisition of a participation in or an interest in properties, assets or businesses within 24 months of listing on the TSX-V.

The Company’s shareholders approved the removal of the consequences associated with not completing the Qualified Transaction within 24 months of the listing date in accordance with the new CPC policies.

**2. SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

These Unaudited Interim Condensed Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretation Committee. Accordingly, certain disclosures included in the annual financial statements prepared in accordance with IFRS as issued by the IASB have been condensed or omitted and these Unaudited Interim Condensed Financial Statements should be read in conjunction with the Company’s Audited Financial Statements for the year-ended October 31, 2021.

These financial statements were authorized for issue by the Board of Directors on March 29, 2022.

The financial statements are presented in Canadian dollars, which is the Company’s functional and reporting currency.

***Basis of measurement***

These Unaudited Interim Condensed Financial Statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit or loss, which are stated at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

***Significant accounting policies***

In addition to the significant accounting policies noted below, these Unaudited Interim Condensed Financial Statements and the accompanying notes were prepared using the accounting policies described in Note 2 of the Company’s Audited Financial Statements for the year-ended October 31, 2021.

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**3. SHARE CAPITAL**

*Common Shares*

*Authorized*

Unlimited number of common shares with no par value.

*Issued*

	<b>Shares</b>	<b>Amount</b>
Opening balance, November 1, 2021	8,611,500	\$531,767
<b>Balance as at January 31, 2022</b>	<b>8,611,500</b>	<b>\$531,767</b>

On June 18, 2018, the Company issued 4,000,000 shares at a price of \$0.05 per share for gross proceeds of \$200,000 pursuant to a private placement. All common shares issued are subject to escrow restrictions upon the completion of the IPO and will be released from escrow in tranches over 36 months from its listing on the TSX- V. The weighted average shares outstanding does not include the 4,000,000 escrowed seed shares as they are contingently returnable.

*Stock Options*

A summary of stock option activity during the three months ended January 31, 2022 is as follows:

	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining life</b>
Outstanding, November 1, 2021	822,222	\$ 0.10	2.97
Granted	-	-	-
Exercised	-	-	-
Expired	-	-	-
<b>Outstanding, January 31, 2022</b>	<b>822,222</b>	<b>\$ 0.10</b>	<b>2.72</b>

The Company has a common share purchase option plan (the "Plan") for directors, officers, employees, and consultants. The number of common shares reserved for issuance pursuant to the Plan is equal to 10% of the Company's issued and outstanding common shares at the time of grant. The number of common shares reserved for issuance or granted to any insiders, within any twelve-month period, will not exceed 10% of the issued and outstanding common shares at the date of the grant. Options granted under the Plan have a five-year term. Options are granted at a price no lower than the market price of the common shares less any discounts allowed by the TSX Venture Exchange at the time of the grant.

The number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Options may be exercised the greater of 12 months after the completion of the Qualifying Transaction and 90 days following cessation of the Optionee's position with the Company, subject to the expiry date of such option.

Any common shares acquired pursuant to the exercise of options prior to the Completion of the Qualifying Transaction will be subject to escrow restrictions until the issuance of the Final Exchange Bulletin.

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**4. FINANCIAL RISK MANAGEMENT**

The Company is exposed to a variety of risks related to financial instruments. The Board approves and monitors the risk management processes. The principal types of risk exposure and the way in which they are managed are as follows:

***Credit Risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The Company has deposited the cash with a Schedule 1 Canadian bank from which management believes the risk of loss is remote.

***Liquidity Risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due. Accounts payable and accrued liabilities are due within the current operating period. The Company has a sufficient cash balance to settle current liabilities.

***Market Risk***

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

***Fair Value***

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 asset or liability either directly or indirectly; and

Level 3: Inputs that are not based on observable market data.

The fair value of the Company's receivables and accounts payable and accrued liabilities approximates their carrying value because of the short-term nature of the financial instruments. The Company's cash is measured at fair value using Level 1 inputs.

**5. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the completion of a Qualifying Transaction. Therefore, the Company monitors the level of risk incurred in its expenditures relative to its capital structure.

The Company considers its capital structure to consist of components of shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the potential underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favorable terms and approved by the TSX-V.

As a CPC, the Company is subject to externally imposed cash restrictions as outlined in TSX-V Policy 2.4, the updated policy came into effect January 1, 2021. The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that the Company is permitted to use up to \$3,000 per month from its proceeds (Seed Shares and IPO) for general and administrative expenses not associated with the Qualifying Transaction. Restrictions apply until completion of a Qualifying Transaction by the Company. As at October 31, 2021 the Company is within this limit. The new policy was adopted by the Company on January 1, 2021. As at January 31, 2022, the Company is within this limit.



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**6. SUBSEQUENT EVENT**

On March 7, 2022, the Company closed an option to acquire an undivided 100% interest in the "Noseno Project" located approximately two-hundred kilometers west of Georgetown, Guyana.

The Company intends the transaction to constitute a qualifying transaction ("QT") under TSX Venture Exchange Policy 2.4 "Capital Pool Companies".

Under the terms of the option agreement, XAU will be required to make the following cash payments and incur the following exploration expenditures to earn a 100% interest in the Noseno Project:

- Cash payments – a total of \$2,500,000 USD will be paid in accordance with the following schedule:
  1. Pay \$300,000 USD by the later of (the "Trigger Date") (a) two years from the Effective Date and (b) the day after the date on which (i) conditional acceptance by the Exchange of the Qualifying Transaction is received by the Optionee and (ii) not less than \$1,000,000 of Subscription Proceeds is unconditionally released to the Optionee.
  2. Pay \$600,000 USD by the third anniversary of the Trigger Date, and
  3. Pay \$1,600,000 USD by the fourth anniversary of the Trigger Date.
- Exploration expenditures – a total of \$5,000,000 USD will be incurred in accordance with the following schedule:
  1. Incur \$500,000 USD on the first anniversary of the Trigger Date,
  2. Incur \$1,000,000 USD by the second anniversary of the Trigger Date,
  3. Incur \$1,500,000 USD by the third anniversary of the Trigger Date, and
  4. Incur \$2,000,000 USD by the fourth anniversary of the Trigger Date.

In addition, to the above, if the option is fully exercised the following considerations will be paid:

- Royalty fee – an agreement will be signed where a 3% royalty on the net smelter returns (net revenue earned less transportation and refining costs) will be paid out.
- Cash payment – if a bank feasibility study recommending the project be placed into commercial production is produced, there will be a \$2,500,000 payment in cash.

XAU issued, by way of a non-brokered private placement financing, up to 4,000,000 subscription receipts (each a "Receipt") at a price of twenty-five cents per Receipt, for gross proceeds of up to \$1,000,000. Each Receipt will be converted to 1 common share.

In connection with the financing noted, the Company paid \$5,047 in cash and offered 20,188 in finders warrants. The Company will also be offering 400,000 in stock options to their officers, directors, and consultants.