

XAU Resources Inc.

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

**For the three months
ended January 31, 2023
and 2022**

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

The accompanying unaudited interim condensed 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.
INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian Dollars)

	January 31, 2023 \$	October 31, 2022 \$
Assets		
Current Assets		
Cash	449,872	612,153
Prepaid Expenses	-	2,046
Total Current Assets	449,872	614,199
Total Assets	449,872	614,199
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	28,286	46,569
Total Liabilities	28,286	46,569
Shareholders' Equity		
Share capital (Note 3)	1,470,506	1,470,506
Contributed surplus (Note 3)	163,450	163,450
Deficit	(1,212,370)	(1,066,326)
Total Shareholders' Equity	421,586	567,630
Total Liabilities and Shareholders' Equity	449,872	614,199

On Behalf of the Board:

 "Andrey Maruta" CFO

 "Gairat Gary Bay" Director

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

XAU RESOURCES INC.
INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)
(Expressed in Canadian Dollars)

	For the three months ended January 31 2023 \$	For the three months ended January 31 2022 \$
Expenses		
Exploration and evaluation (Note 4)	87,285	-
Professional fees	43,592	42,030
Registration and filing	812	1,496
Administrative expenses	14,355	-
Total expenses	146,044	43,526
Loss and comprehensive loss	(146,044)	(43,526)
Loss per common share	(0.01)	(0.01)
Weighted average number of common shares outstanding	12,611,500	4,524,925

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

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

	Share Capital		Contributed		Total
	Shares	Amount \$	Surplus \$	Deficit \$	
Balance, November 1, 2021	8,611,500	\$ 531,767	\$ 86,467	\$ (457,286)	\$160,948
Loss for three months	-	-	-	(43,526)	(43,526)
Balance, January 31, 2022	8,611,500	\$ 531,767	\$ 86,467	\$ (500,812)	\$117,422
Balance, November 1, 2022	12,611,500	1,470,506	163,450	(1,066,326)	567,630
Loss for three months	-	-	-	(146,044)	(146,044)
Balance, January 31, 2023	12,611,500	1,470,506	163,450	(1,212,370)	421,586

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

XAU RESOURCES INC.
INTERIM CONDENSED STATEMENT OF CASH FLOWS
(Unaudited)
(Expressed in Canadian Dollars)

	For the three months ended January 31, 2023	For the three months ended January 31, 2022
	\$	\$
Cash Flows from Operating Activities		
Loss for the period	(146,044)	(43,526)
Changes in non-cash working capital items:		
Prepaid expenses	2,046	-
Accounts payable and accrued liabilities	(18,283)	(20,697)
Net cash used in operating activities	(162,281)	(64,223)
Change in cash	(162,281)	(64,223)
Cash, beginning of the period	612,153	199,235
Cash, end of the period	449,872	135,012

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

XAU RESOURCES INC.
NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
(Unaudited)
For the three months ended January 31, 2023 and 2022

1. NATURE OF OPERATIONS

XAU Resources Inc. (the “Company”) was incorporated under the Canada Business Corporations Act on June 18, 2018. The Company completed an Initial Public Offering (“IPO”) and was 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 was 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. The Company’s shareholders approved the removal of policies related to the consequences associated with not completing the Qualified Transaction within 24 months of the listing date in accordance with the new CPC policies.

The Company completed the Qualifying Transaction on June 20, 2022. As part of the Qualifying Transaction, the subscription receipts issued by the Company on March 7, 2022, pursuant to a non-brokered private placement were automatically converted to 4,000,000 common shares of the resulting issuer.

On October 21, 2021, the Company entered an option agreement to acquire an undivided 100% interest in the "Noseno Project" located approximately two-hundred kilometers west of Georgetown, Guyana. The Noseno Project comprises 37 licenses covering 37,623 acres, together with 100% of the mineral and mining rights attached thereto or derived therefrom (see Note 4). The mineral properties may potentially expose the Company to risks and considerations not normally associated with exploration activities in North America. The Company’s ability to retain its properties, raise and deploy capital may be adversely affected by changes in governing regimes, policies, laws, and regulations, all of which are beyond the Company’s control.

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 were authorized for issue by the Board of Directors on March 27, 2023

These unaudited interim condensed 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.

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”) as applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting 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, 2022.

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

Basis of measurement

These unaudited condensed interim 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 unaudited interim condensed financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Significant accounting policies

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, 2022.

Significant Accounting Estimates and Judgments

The preparation of these unaudited condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

These unaudited condensed interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant estimates included in these financial statements include the valuation of share-based payments.

There have been no significant judgements made by management in the application of IFRS that have a significant effect on these financial statements.

3. SHARE CAPITAL

Common Shares

Authorized

Unlimited number of common shares with no par value.

Issued

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. On June 29, 2021, shareholders approved certain amendments to align terms of the agreement to the Exchange's amended policy. The shares will be released from escrow in tranches over 18 months from the date of Final QT Exchange Bulletin as per the following schedule:

Release Dates	Percentage to be released
Date of Final QT Exchange Bulletin - June 20, 2022	25%
Date 6 months following Final QT Exchange Bulletin	25%
Date 12 months following Final QT Exchange Bulletin	25%
Date 18 months following Final QT Exchange Bulletin	25%
Total	100%

On July 18, 2019, the Company completed its IPO of 4,411,500 common shares at a purchase price of \$0.10 per common share for aggregate proceeds of \$441,150.

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3. SHARE CAPITAL, CONTINUED

Hampton Securities Limited (the "Agent") acted as agent for the IPO. In connection with the IPO, the Agent received a cash commission of \$44,115, equal to 10% of the aggregate gross proceeds from the sale of the common shares. In addition, the Company reimbursed the Agent's legal fees in the amount of \$25,262 and corporate finance fees of \$26,625.

On April 24, 2020, the Company closed the private placement of 200,000 shares at a price of \$0.05 per share for gross proceeds of \$10,000

On June 20, 2022, on closing of the qualifying transactions, the Company issued 4,000,000 shares priced at \$0.25 per share for gross proceeds of \$1,000,000. Of the 4,000,000 shares, 1,277,689 shares are held in escrow and will be released based on the following schedule:

Release Dates	Percentage to be released
Date of Final QT Exchange Bulletin - June 20, 2022	10%
Date 6 months following Final QT Exchange Bulletin	15%
Date 12 months following Final QT Exchange Bulletin	15%
Date 18 months following Final QT Exchange Bulletin	15%
Date 24 months following Final QT Exchange Bulletin	15%
Date 30 months following Final QT Exchange Bulletin	15%
Date 36 months following Final QT Exchange Bulletin	15%
Total	100%

As at January 31, 2023, of the total shares issued and outstanding, 3,008,267 shares are held in escrow.

Stock Options

A summary of stock option activity during the three months ended January 31, 2023, is as follows:

	Number of options	Weighted average exercise price	Weighted average remaining life
Outstanding, November 1, 2022	1,222,222	\$ 0.15	2.67
Outstanding, January 31, 2023	1,222,222	\$ 0.15	2.42

A summary of the stock options outstanding as of January 31, 2023 is as follows:

Number of options	Weighted average exercise price	Weighted average remaining life
822,222	\$ 0.10	1.47
400,000	\$ 0.25	4.39
1,222,222	\$ 0.15	2.42

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3. SHARE CAPITAL, CONTINUED

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.

The Company adopted an incentive stock option plan on June 29, 2021. The plan allows the ability to issue options to purchase up to 10% of The Company's issued and outstanding common shares as at the closing of their IPO. This is in accordance with the new CPC policy permitting the Company to adopt a "10% rolling stock option plan" such that the total number of Common Shares that may be reserved for issuance pursuant to options under the Plan may not exceed 10% of the Common Shares issued and outstanding at the date of grant. This new CPC policy came in effect on January 1, 2021.

Warrants

A summary of warrant activity during the three months ended January 31, 2023 is as follows:

	Number of warrants	Weighted average exercise price	Weighted average remaining life
Outstanding, November 1, 2022	20,188	\$0.25	1.64
Outstanding, January 31, 2023	20,188	\$0.25	1.39

Contributed surplus

Contributed surplus records items recognized as share-based payments and allocation of the value of warrants and agent's options until such time that the options and warrants are exercised, at which time the corresponding amount will be transferred to share capital.

4. EXPLORATION AND EVALUATION EXPENSES

On October 21, 2021, the Company entered an option agreement to acquire an undivided 100% interest in the "Noseno Project" located approximately two-hundred kilometers west of Georgetown, Guyana. The Noseno Project comprises 37 licenses covering 37,623 acres, together with 100% of the mineral and mining rights attached thereto or derived therefrom. In order to maintain in force the rights granted and to maintain in force the option and earn the interest in the Property, the Company must:

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4. EXPLORATION AND EVALUATION EXPENSES, CONTINUED

- make the following cash payments – a total of \$2,500,000 USD will be paid in accordance with the following schedule:
 1. Pay \$300,000 USD on or before the date that is two years from the date that is the later of (the “Trigger Date”) (a) one year 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.
- maintain work expenditures levels in respect of exploration work on the Property in each of the four years for a cumulative total of \$5,000,000 USD. The Company must incur these work expenditures for the exploration work on the Property in accordance with the following schedule (collectively, the “**Work Expenditures**”):
 1. \$500,000 USD on or before the date that is one year from the Trigger Date;
 2. a further \$1,000,000 USD on or before the date that is two years from the Trigger Date;
 3. a further \$1,500,000 USD on or before the date that is three years from the Trigger Date; and
 4. a further \$2,000,000 USD on or before the date that is two years from the Trigger Date;

The following is a description of the Company's exploration and evaluation expenditures for the three months ended January 31, 2023 and 2022:

	Noseno Project	
	January 31, 2023	January 31, 2022
Mineral permits - rental	\$ 9,005	-
Consulting fee	24,487	-
Camp and operations	53,793	-
Total exploration expenses	\$ 87,285	-

5. 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.

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5. FINANCIAL RISK MANAGEMENT, CONTINUED

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.

Foreign currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency.

As at January 31, 2023, the Company did not have any financial instruments denominated in foreign currency and the Company believes its foreign currency risk to be minimal.

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.

6. 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. 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.