

XAU Resources Inc.
(A Capital Pool Company)

Financial Statements
(Expressed in Canadian Dollars)

For the six months ended
April 30, 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)

	April 30, 2022 \$ (unaudited)	October 31, 2021 \$ (audited)	April 30, 2021 \$ (unaudited)
Assets			
Current Assets			
Cash and cash equivalents (Note 3)	1,064,726	199,235	307,869
Total Current Assets	1,064,726	199,235	307,869
Total Assets	1,064,726	199,235	307,869
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable and accrued liabilities	67,067	38,287	7,725
Total Liabilities	67,067	38,287	7,725
Shareholders' Equity			
Share capital (Note 4)	531,767	531,767	531,767
Shares to be Issued (Note 4)	1,000,000	-	-
Contributed surplus	86,467	86,467	86,467
Deficit	(620,575)	(457,286)	(318,090)
Total Shareholders' Equity	997,659	160,948	300,144
Total Liabilities and Shareholders' Equity	1,064,726	199,235	307,869

Subsequent event (Note 7)

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.
(A Capital Pool Company)
INTERIM CONDENSED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
(unaudited)

	For the three months ended April 30, 2022 \$ (unaudited)	For the three months ended April 30, 2022 \$ (unaudited)	For the six months ended April 30, 2022 \$ (unaudited)	For the six months ended April 30, 2021 \$ (unaudited)
Expenses				
Professional fees	95,178	42,060	137,208	45,672
Registration and filing	24,827	7,041	26,323	8,014
Bank Charges	443	-	443	-
Total expenses	120,448	\$49,101	163,974	\$53,686
Other Income				
Interest	685	-	685	-
Total other income	685	-	685	-
Loss and comprehensive loss	(119,763)	(49,101)	(163,289)	(53,686)
Loss per common share	(0.02)	(0.01)	(0.03)	(0.01)
Weighted average number of common shares outstanding	4,611,500	4,611,500	4,611,500	4,611,500

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

XAU RESOURCES INC.
(A Capital Pool Company)
INTERIM CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For period from November 1, 2021 to April 30, 2022
(Expressed in Canadian Dollars)
(unaudited)

	<u>Share Capital</u>		Shares to be issued	Contributed Surplus	Deficit	Total
	Shares	Amount				
Balance, November 1, 2020	8,611,500	\$ 531,767	-	\$86,647	\$ (264,404)	\$ 353,830
Loss for the six-months	-	-	-	-	(53,686)	(53,686)
Balance, April 30, 2021	8,611,500	\$531,767	-	\$86,647	(318,090)	300,144

	<u>Share Capital</u>		Shares to be issued	Contributed Surplus	Deficit	Total
	Shares	Amount				
Balance, November 1, 2021	8,611,500	531,767	-	\$86,467	(457,286)	160,948
Loss for the six-months	-	-	-	-	(163,289)	(163,289)
Shares to be issued	-	-	1,000,000	-	-	1,000,000
Balance, April 30, 2022	8,611,500	\$531,767	\$1,000,000	\$86,467	\$ (620,575)	\$997,659

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

XAU RESOURCES INC.
(A Capital Pool Company)
INTERIM CONDENSED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(unaudited)

	For the three months ended April 2022 \$	For the three months ended April 2021 \$	For the six months ended April 2022 \$	For the six months ended April 2021 \$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash Flows from Operating Activities				
Loss for the period	(119,763)	(49,101)	(163,289)	(53,686)
Changes in non-cash working capital items:				
Accounts payable and accrued liabilities	49,477	1,199	28,780	(4,878)
Net cash used in Operating Activities	(70,286)	(47,902)	(134,509)	(58,564)
Cash Flows from Financing Activities				
Shares to be Issued	1,000,000	-	1,000,000	-
Net cash from Financing Activities	1,000,000	-	1,000,000	-
Change in cash	929,714	(47,902)	865,491	(58,564)
Cash, beginning of the period	135,012	355,771	199,235	366,433
Cash, end of the period	1,064,726	307,869	1,064,726	307,869

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

XAU RESOURCES INC.
(A Capital Pool Company)
NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
For the Six Months Ended April 30, 2022 and 2021
(unaudited)

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 June 28, 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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NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
For the Six Months Ended April 30, 2022 and 2021
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3. CASH AND CASH EQUIVILENTS

The Cash balance as at April 30, 2022 comprises of Cash at Bank and Cash held in Trust.

	Amount
Cash	\$5,957
Cash held in Trust	\$1,058,769
Total	\$1,064,726

4. SHARE CAPITAL

Common Shares

Authorized

Unlimited number of common shares with no par value.

Issued

	Shares	Amount
Opening balance, November 1, 2021	8,611,500	\$531,767
Balance as at April 30, 2022	8,611,500	\$531,767

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.

As at April 30, 2022, the company has 4,000,000 shares priced at \$0.25 per share for gross proceeds of \$1,000,000 to be Issued. The shares to be issued were dependent on the closing of the qualifying transaction (see note 7) which closed on June 20, 2022

Stock Options

A summary of stock option activity during the three months ended April 30, 2022, is as follows:

	Number of options	Weighted average exercise price	Weighted average remaining life
Outstanding, November 1, 2021	822,222	\$ 0.10	2.97
Granted	-	-	-
Exercised	-	-	-
Expired	-	-	-
Outstanding, April 30, 2022	822,222	\$ 0.10	2.72

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4. 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.

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.

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.

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.

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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 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 April 30, 2022, the Company is within this limit.

7. SUBSEQUENT EVENT

On June 20, 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.

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7. SUBSEQUENT EVENT (CONTINUED)

XAU issued, by way of a non-brokered private placement financing, of 4,000,000 subscription receipts (each a "Receipt") at a price of twenty-five cents per Receipt, for gross proceeds of \$1,000,000. As part of the Qualifying Transaction, the Receipts issued by the Company on March 7, 2022 pursuant to a non-brokered private placement, were automatically converted, into 4,000,000 common shares of the Company. No other shares were issued in connection with the Qualifying Transaction. This financing consisted of 4,000,000 Subscription Receipts issued at \$0.25 per Subscription Receipt for gross proceeds of \$1,000,000. The proceeds were released from escrow on the closing of the Qualifying Transaction and will enable the Company to fund the phase one work program on the Noseno Project.

In connection with this financing, the Company paid \$5,047 to certain finders and issued 20,188 finder warrants (the "Finder Warrants"). Each Finder Warrant is exercisable to acquire one (1) common share of the Company at \$0.25 for a period of twenty-four (24) months from the date of issuance. In connection with the closing of the Qualifying Transaction, the Company granted 400,000 stock options (the "Options") to certain directors, officers and consultants of the Company. Each Option is exercisable to acquire one (1) common share of the Company at \$0.25 for a period of five (5) years from the date of the grant.

Following the completion of the Qualifying Transaction, 12,611,500 common shares, 1,222,222 stock options and 20,188 finder warrants of the Resulting Issuer are issued and outstanding (or 13,853,910 common shares on a fully-diluted basis). TSX Venture Exchange has accepted for filing XAU Resources Inc. Qualifying Transaction described in its Filing Statement dated June 14, 2022 (the "Filing Statement"). As a result, at the opening on Monday, June 27, 2022, the Company will no longer be considered a Capital Pool Company. Accordingly, the trading symbol for the Company will change from GIG.P to GIG. There is no change in the Company's name, no change in its CUSIP number and no consolidation of capital.