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**PROSPER GOLD CORP.**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED JULY 31, 2022**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**

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## NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a) continuous disclosure requirement, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim financial statements 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 Condensed Interim Financial Statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**PROSPER GOLD CORP.**  
**Statements of Financial Position**  
**(Expressed in Canadian Dollars)**

	Note	As at	
		July 31, 2022 (Unaudited)	October 31, 2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	\$ 650,904	\$ 3,636,299
Amounts receivable		25,188	468,959
Marketable securities	7	5,258	13,000
Prepaid expenses and deposit	11	238,119	319,393
		<b>919,469</b>	<b>4,437,651</b>
<b>Non-current assets</b>			
Reclamation deposits	4	219,000	219,000
Right-of-use asset	5	139,426	-
Equipment	6, 12(c)	320,306	358,376
Mineral properties	7	931,813	921,266
		<b>1,610,545</b>	<b>1,498,642</b>
		<b>\$ 2,530,014</b>	<b>\$ 5,936,293</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	12	\$ 134,539	\$ 718,627
Current portion of lease liability	5	99,894	-
		<b>234,433</b>	<b>718,627</b>
<b>Non-current liabilities</b>			
Loan payable	8	39,251	37,819
Deferred gain on loan payable	8	749	2,181
Lease liability	5	24,350	-
		<b>64,350</b>	<b>40,000</b>
		<b>298,783</b>	<b>758,627</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	9	24,823,563	24,471,832
Reserves	10	6,099,565	4,505,387
Deficit		(28,691,897)	(23,799,553)
		<b>2,231,231</b>	<b>5,177,666</b>
		<b>\$ 2,530,014</b>	<b>\$ 5,936,293</b>

These financial statements were approved by the Board of Directors and authorized for issue on September 23, 2022. They are signed on behalf of the Board of Directors by:

/s/ "Peter Bernier"

Peter Bernier  
 Director

/s/ "Jason Hynes"

Jason Hynes  
 Director

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

**PROSPER GOLD CORP.**  
**Statements of Comprehensive Loss**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

	Note	Three months ended		Nine months ended	
		July 31, 2022	July 31, 2021	July 31, 2022	July 31, 2021
<b>Expenses</b>					
Exploration expenditures	6,7,12	\$ 329,900	\$ 1,732,108	\$2,653,180	\$ 2,312,985
General and administrative	5,6	82,833	107,301	288,660	522,649
Management salaries and fees	12	114,105	110,613	343,380	448,313
Professional fees		13,578	37,892	61,430	80,648
Share-based payments	10(b)(c), 12	379,325	856,039	1,594,178	1,606,370
Transfer agent, listing and filing fees		13,858	13,706	44,948	32,448
		<b>933,599</b>	<b>2,857,659</b>	<b>4,985,776</b>	<b>5,003,413</b>
<b>Other (income) and expense</b>					
Interest income		(825)	(5,948)	(2,336)	(7,318)
Gain on disposal of mineral properties	7(a)	-	(14,557)	(205,200)	(14,557)
Loss on sale of marketable securities	7(a)	106,362	-	106,362	-
Unrealized (gain)/loss on marketable securities	7(a)	(75,168)	3,500	7,742	3,500
		<b>30,369</b>	<b>(17,005)</b>	<b>(93,432)</b>	<b>(18,375)</b>
<b>Net loss and comprehensive loss for period</b>					
		<b>\$ 963,968</b>	<b>\$ 2,840,654</b>	<b>\$ 4,892,344</b>	<b>\$ 4,985,038</b>
<b>Loss per share</b>					
Basic and diluted		\$ 0.04	\$ 0.13	\$ 0.21	\$ 0.25
Weighted average number of common shares outstanding		<b>23,996,476</b>	<b>21,581,536</b>	<b>23,709,296</b>	<b>19,603,162</b>

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

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**PROSPER GOLD CORP.****Statements of Changes in Shareholders' Equity  
(Expressed in Canadian Dollars)  
(Unaudited)**

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**For the nine months ended July 31, 2021**

	Number of Shares	Reserves			Total	Deficit	Total
		Share Capital	Security Based Compensation	Other			
Balance at October 31, 2020	13,721,801	\$16,382,054	\$1,436,057	\$ 687,963	\$2,124,020	\$(15,279,727)	\$ 3,226,347
Private placement – units (note 9(b))	6,111,111	5,500,000	-	-	-	-	5,500,000
Shares issued for property (notes 7(a), 9(c))	50,000	87,000	-	-	-	-	87,000
Shares issued for warrants exercised	2,064,963	1,805,489	-	-	-	-	1,805,489
Share issue costs (notes 9(b), 9(c))	-	(301,150)	-	107,090	107,090	-	(194,060)
Share-based payments (notes 10(b), 10(c))	-	-	1,606,370	-	1,606,370	-	1,606,370
Net loss for the period	-	-	-	-	-	(4,985,038)	(4,985,038)
<b>Balance at July 31, 2021</b>	<b>21,947,875</b>	<b>\$23,473,393</b>	<b>\$3,042,427</b>	<b>\$ 795,053</b>	<b>\$3,837,480</b>	<b>\$(20,264,765)</b>	<b>\$ 7,046,108</b>

**For the nine months ended July 31, 2022**

	Number of Shares	Reserves			Total	Deficit	Total
		Share Capital	Security Based Compensation	Other			
Balance at October 31, 2021	23,196,476	\$24,471,832	\$3,710,334	\$ 795,053	\$4,505,387	\$(23,799,553)	\$ 5,177,666
Shares issued for property (notes 7(a), 9(c))	800,000	352,000	-	-	-	-	352,000
Share issue costs (note 9(c))	-	(269)	-	-	-	-	(269)
Share-based payments (notes 10(b), 10(c))	-	-	1,594,178	-	1,594,178	-	1,594,178
Net loss for the period	-	-	-	-	-	(4,892,344)	(4,892,344)
<b>Balance at July 31, 2022</b>	<b>23,996,476</b>	<b>\$24,823,563</b>	<b>\$5,304,512</b>	<b>\$ 795,053</b>	<b>\$6,099,565</b>	<b>\$(28,691,897)</b>	<b>\$ 2,231,231</b>

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

# PROSPER GOLD CORP.

## Statements of Cash Flows (Expressed in Canadian Dollars) (Unaudited)

	Nine months ended	
	July 31, 2022	July 31, 2021
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net loss	\$ (4,892,344)	\$ (4,985,038)
Adjustments for:		
Amortization of equipment	62,345	29,486
Amortization of right-of-use asset	8,202	-
Interest on lease liability	1,971	-
Gain on sale of mineral property	(205,200)	(14,557)
Loss on sale of marketable securities	106,362	-
Unrealized loss on marketable securities	7,742	3,500
Share-based payments	1,594,178	1,606,370
Net change in non-cash working capital		
Amounts receivable	443,771	(125,016)
Prepaid expenses and deposit	81,274	(278,613)
Accounts payable and accrued liabilities	(584,088)	86,686
	<b>(3,375,787)</b>	<b>(3,677,182)</b>
<b>Investing activities</b>		
Proceed on sale of marketable securities	98,838	-
Purchase of equipment	(24,275)	(367,853)
Acquisition of mineral properties	(31,196)	(13,200)
Sale of mineral property	372,649	6,732
	<b>416,016</b>	<b>(374,321)</b>
<b>Financing activities</b>		
Lease liability payments	(25,355)	-
Proceeds from private placement	-	5,500,000
Issuance of shares for warrants exercised	-	1,805,489
Share issue costs	(269)	(194,060)
	<b>(25,624)</b>	<b>7,111,429</b>
<b>Increase (decrease) in cash</b>	<b>(2,985,395)</b>	<b>3,059,926</b>
Cash and cash equivalents, beginning of period	3,636,299	2,346,449
<b>Cash and cash equivalent, end of period</b>	<b>\$ 650,904</b>	<b>\$ 5,406,375</b>
<b>Non-cash activities</b>		
Shares issued for property	\$ 352,000	\$ 87,000
Fair value of broker warrants for private placement	\$ -	\$ 107,090
Shares received from sale of mineral property	\$ -	\$ 19,000
Fair value of marketable securities received from sale of mineral property	\$ 205,200	\$ -
Right-of-use assets and lease liability	\$ 147,628	\$ -
<b>Cash and cash equivalents consist of:</b>		
Cash	\$ 650,904	\$ 1,402,366
Term deposits	\$ -	\$ 4,004,009

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

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# PROSPER GOLD CORP.

## Notes to Financial Statements

For the nine months ended July 31, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited)

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### 1. Nature of operations and going concern

Prosper Gold Corp. ("Prosper" or the "Company") was incorporated under the *Business Corporations Act* (Ontario) on October 11, 2007, continued into British Columbia under the *Business Corporations Act* (British Columbia) and changed its name from Lander Energy Corporation on April 26, 2012. The registered office of the Company is located at Suite 330 – 890 West Pender Street, Vancouver, British Columbia, V6C 1J9. Effective September 3, 2013, the Company's common shares were listed on the TSX Venture Exchange (the "Exchange"), trading under the symbol "PGX". Effective March 18, 2021, the Company has qualified to trade on the OTCQX Best Market in the United States under the symbol "PGXFF".

The principal business activity of the Company is the acquisition, exploration and development of mineral properties. These financial statements have been prepared on a going concern basis, which assumes that the Company will continue its operation in the foreseeable future and will be able to realize its assets and settle its liabilities in the normal course of business. The Company has not yet generated any revenues, has incurred losses of \$4,892,344 (9 months ended July 31, 2021 - \$4,985,038) for the period ended July 31, 2022, negative cash flows from operations since inception and has a deficit of \$28,691,897 as at July 31, 2022 (October 31, 2021 - \$23,799,553). At July 31, 2022, the Company had cash of \$650,904 (October 31, 2021 – cash and cash equivalents of \$3,636,299) and working capital of \$685,036 (October 31, 2021 - \$3,719,024). The ability of the Company to continue as a going concern over a longer term is dependent on the Company's ability to complete financing to meet administrative overhead and to complete the exploration and development of its mineral property interest, attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interest. However, there is no guarantee that the Company will establish economically recoverable reserves, profitable operations or positive cash flows from operations. The Company will continue to raise funding through equity financing to continue operations and has been successful to date, but there can be no assurance that adequate financing will be available in the future, or available on terms acceptable to the Company and, therefore, a material uncertainty exists that may cast significant doubt over the Company's ability to continue as a going concern.

These financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

Since January 2020, the continuing outbreak of the novel strain of the coronavirus, COVID-19, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic downturn. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. This may impact the Company's ability to obtain additional financing to support exploration activities.

Russia's invasion of Ukraine has injected a new uncertainty into the global economy with the impact to rising interest and inflation rates. The continuing conflict has contributed to increase in oil and commodity prices and caused downturn to global markets. The outcome and longevity are both difficult to assess at this time.

### 2. Basis of preparation

#### (a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, these condensed interim financial statements do not include all information and disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended October 31, 2021, which have been prepared in accordance with IFRS.

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# PROSPER GOLD CORP.

## Notes to the Financial Statements

For the nine months ended July 31, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited)

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### 2. Basis of preparation

#### (b) Basis of presentation

These financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are recorded at fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The Company's interim results are not necessarily indicative of its results for the full year.

#### (c) Presentation and functional currency

The presentation and functional currency of the Company is the Canadian dollar. All amounts in these financial statements are expressed in Canadian dollars, unless otherwise indicated.

#### (d) Critical accounting judgments and estimates

The preparation of financial statements in accordance with IFRS requires management to make certain critical accounting estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the accompanying disclosures. Actual results could differ from these judgments and estimates. Estimates and underlying assumptions are reviewed on an ongoing basis based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The impacts of changes to estimates are recognized in the period estimates are revised and in future periods affected. The critical judgment and assumptions applied in the preparation of these condensed interim financial statements and other major sources of measurement uncertainty are discussed in the Company's audited financial statements for the year ended October 31, 2021.

### 3. Significant accounting policies

The significant accounting policies applied in the preparation of these condensed interim financial statements are consistent with those applied and discussed in the Company's audited financial statements for the year ended October 31, 2021.

### 4. Reclamation deposits

The Company was required to post two security deposits of \$190,000 and \$29,000 totalling \$219,000 in favor of the BC Ministry of Energy and Mines for the continuation of surface work at the Star Property.

Both security deposits were posted with a Canadian financial institution and bear interest at the rate of 0.10%.

### 5. Right-of-use asset

#### **Right-of-use asset (note 15)**

Value of right-of-use asset as at May 1, 2022	\$	147,628
Amortization		(8,202)
<b>Value of right-of-use asset as at July 31, 2022</b>	<b>\$</b>	<b>139,426</b>
<b>Lease liability</b>		
Lease liability recognized as of May 1, 2022	\$	147,628
Lease payments		(25,355)
Lease interest		1,971
<b>Lease liability recognized as of July 31, 2022</b>	<b>\$</b>	<b>124,244</b>
Current portion	\$	99,894
Long-term portion		24,350
	<b>\$</b>	<b>124,244</b>



# PROSPER GOLD CORP.

## Notes to the Financial Statements

For the nine months ended July 31, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited)

### 6. Equipment

	Computer Equipment	Office Furniture	Field Equipment	Vehicles	Total
<b>Cost</b>					
As at October 31, 2020	\$ 17,521	\$ 2,236	\$ 37,047	\$ 13,704	\$ 70,508
Additions	12,150	-	296,843	75,017	384,010
As at October 31, 2021	29,671	2,236	333,890	88,721	454,518
Additions	2,813	-	21,462	-	24,275
<b>As at July 31, 2022</b>	<b>\$ 32,484</b>	<b>\$ 2,236</b>	<b>\$ 355,352</b>	<b>\$ 88,721</b>	<b>\$ 478,793</b>
<b>Accumulated Amortization</b>					
As at October 31, 2020	\$ 15,513	\$ 1,576	\$ 17,978	\$ 10,908	\$ 45,975
Amortization	4,445	132	33,498	12,092	50,167
As at October 31, 2021	19,958	1,708	51,476	23,000	96,142
Amortization	4,006	79	43,472	14,788	62,345
<b>As at July 31, 2022</b>	<b>\$ 23,964</b>	<b>\$ 1,787</b>	<b>\$ 94,948</b>	<b>\$ 37,788</b>	<b>\$ 158,487</b>
<b>Carrying value</b>					
As at October 31, 2021	\$ 9,713	\$ 528	\$ 282,414	\$ 65,721	\$ 358,376
<b>As at July 31, 2022</b>	<b>\$ 8,520</b>	<b>\$ 449</b>	<b>\$ 260,404</b>	<b>\$ 50,933</b>	<b>\$ 320,306</b>

### 7. Mineral properties

The Company capitalizes costs of mineral property option payments for cash and share issuances and the related transaction costs for the Ontario Projects in Ontario and the Star Property in British Columbia.

Costs	Ontario Projects				Total
	Matachewan	Galahad	Golden Sidewalk	Star	
Balance, October 31, 2020	\$ 19,329	\$ 83,517	\$ 248,980	\$ 446,715	\$ 798,541
Share issuances	-	-	87,000	-	87,000
Additions	-	-	130,418	-	130,418
Write-off	-	(83,517)	-	-	(83,517)
Claims sold	(11,176)	-	-	-	(11,176)
<b>Balance, October 31, 2021</b>	<b>8,153</b>	<b>-</b>	<b>466,398</b>	<b>446,715</b>	<b>921,266</b>
Share issuance	-	-	352,000	-	352,000
Additions	-	-	31,196	-	31,196
Option payments received	-	-	-	(372,649)	(372,649)
<b>Balance, July 31, 2022</b>	<b>\$ 8,153</b>	<b>\$ -</b>	<b>\$ 849,594</b>	<b>\$ 74,066</b>	<b>\$ 931,813</b>

#### (a) Ontario Projects, Ontario, Canada

##### Matachewan Land Package

On March 21, 2019, the Company entered into a purchase agreement and acquired a 100% interest in 64 mineral claims and 6 mining patents. During the 2020 fiscal year, transaction costs for legal fees of \$2,140 were paid for legal fees to transfer the titles of the claims to the Company.

During the year ended October 31, 2021, the Company sold 37 mineral claims to LaSalle Exploration Corp. ("LaSalle") for cash proceeds of \$10,000 and 100,000 common shares of LaSalle with a fair market value of \$19,000 on the completion date. The Company incurred legal fees of \$3,268 for the transaction. A gain of \$14,557 (2020 - \$nil) has

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# PROSPER GOLD CORP.

## Notes to the Financial Statements

For the nine months ended July 31, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited)

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### 7. Mineral properties (continued)

#### (a) Ontario Projects, Ontario, Canada (continued)

##### **Matachewan land Package (continued)**

been recorded on the statements of comprehensive loss for the year ended October 31, 2021. As at July 31, 2022, the 100,000 LaSalle shares were adjusted to the market value of \$5,258 (October 31, 2021 - \$13,000) and an unrealized loss for the 9 months ended July 31, 2022 of \$7,742 (July 31, 2021 - \$3,500) has been recorded in the statement of comprehensive loss.

##### **Wydee Claims**

During the period, the Company sold 43 claims for the Wydee Property to the Canadian Nickel Company Inc. ("CNC") that was previously written off during the 2020 fiscal year. The Company received 60,000 shares of CNC at a market value of \$3.42 per share for a value of \$205,200. The proceeds have been recorded as a gain in the statement of comprehensive loss. During the period ended July 31, 2022, the 60,000 CNC shares were sold for \$98,838 and the unrealized loss on marketable securities of \$76,800 that was previously recorded in the statement of comprehensive loss has been reverse. The sale resulted in a realized loss \$106,362 (July 31, 2021 - \$Nil) which has been recorded in the statement of comprehensive loss.

##### **Galahad**

On April 20, 2016, the Company entered into a purchase agreement (the "Purchase Agreement") with JCML Resources Inc. ("JCML"), whereby the Company agreed to acquire 13 mineral claims ("Galahad") surrounding the Ashley Gold Mine for \$50,000 and 10,000 Prosper shares. The Company issued the 10,000 common shares at a price of \$2.60 per share and paid \$50,000 for the acquisition in 2016.

During the year ended October 31, 2021, the Company wrote-off the costs of \$83,517 for Galahad to \$nil, its estimated recoverable value from fair value less cost of disposal, in accordance with level 3 of the fair value hierarchy as the Company no longer intends to pursue this project.

##### **Golden Sidewalk Project**

###### Sabina Agreement

On August 9, 2020 ("Sabina Effective Date"), the Company entered into an option agreement with Sabina Gold & Silver Corp. ("Sabina") to acquire a 100% interest in the Golden Sidewalk Properties, subject to the permitted encumbrances, underlying royalties, the Golden Sidewalk Royalties and any additional property royalty in accordance with the following:

- a) In order to acquire a 70% interest ("Sabina First Option"), the Company shall pay \$40,000 cash, issue 900,000 common shares and incur \$1,400,000 as follows:
  - a. within five business days of receipt of TSXV approval, pay \$20,000 cash (paid) and issue 50,000 common shares (issued September 8, 2020)
  - b. on or before six months of the Sabina Effective Date, issue 50,000 common share (issued January 25, 2021) and incur expenditures of \$150,000 (incurred)
  - c. on or before 18 months of the Sabina Effective Date, issue 250,000 common shares (issued February 7, 2022), pay \$10,000 in cash (paid) and incur \$500,000 in expenditures (incurred)
  - d. on or before 30 months of the Sabina Effective Date, issue 550,000 common shares (issued February 7, 2022), pay \$10,000 in cash (paid) and incur \$750,000 in expenditures (incurred)
- b) Upon the exercise of the Sabina First Option, the Company can elect to pursue the second option to acquire the remaining 30% interest on or before 48 months of the Sabina Effective Date, by issuing an additional 600,000 common shares, pay an additional \$10,000 in cash, incur an additional \$1,200,000 of expenditures and enter into agreement to fully assume and novate to the Company the permitted encumbrances and all royalties that Sabina is subject to for the property.

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# PROSPER GOLD CORP.

## Notes to the Financial Statements

For the nine months ended July 31, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited)

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### 7. Mineral properties (continued)

#### (a) Ontario Projects, Ontario, Canada (continued)

##### Golden Sidewalk Project (continued)

###### Sabina Agreement (continued)

Per the agreement, in the event that the Company does not incur the required expenditures in each period, the Company may pay Sabina in cash any shortfall by the end of each period.

Upon the exercise of the first option by the Company, Sabina and the Company will enter in a royalty agreement ("Golden Sidewalk Royalty") whereby Sabina will retain and the Company will pay to Sabina 2.0% NSR on the proceeds from the production or sale of products produced or derived from the Golden Sidewalk property. The Company can elect to purchase 1.0% of the NSR by payment of \$1,000,000.

###### Smith Agreement

On August 25, 2020, the Company entered into an agreement with Greg Smith to acquire a 100% interest in certain mineral claims for \$25,000 cash (paid).

The acquisition for these claims is subject to a 1% NSR. The Company can elect to purchase 0.5% of the NSR by payment of \$500,000.

###### Bounty Agreement

On August 31, 2020, the Company entered into an agreement with Bounty Gold Corp. ("Bounty") to acquire a 100% interest in certain mineral claims free of any encumbrances by:

- i. Within 5 days of Exchange approval, payment of \$60,000 in cash (paid)
- ii. Issuance of 125,000 common shares of the Company (issued October 14, 2020)

The purchase is subject to a 2% NSR with an option to purchase 1% of the NSR by the Company with a payment of \$1,000,000.

###### Claims Purchase

During the year ended October 31, 2021, the Company acquired additional claims for the Golden Sidewalk Project for \$13,200.

###### Land Purchase

During the year ended October 31, 2021, the Company purchased a parcel of land at Ear Falls, Ontario for \$113,000 and paid \$4,218 for transaction costs.

During the 9 months ended July 31, 2022, the Company received \$200,000 from the Ministry of Northern Development, Mines, Natural Resources and Forestry under an Ontario Transfer Payment Agreement. Under this agreement, the Company will receive up to \$200,000 to conduct exploration work and activities on the Golden Sidewalk Project.

#### (b) Star Property, British Columbia, Canada

Pursuant to an option agreement dated July 15, 2013 between the Company and Firesteel Resources Inc. ("Firesteel") (name changed to Otso Gold Corp.) (the "Option Agreement"), the Company has the exclusive option to earn up to an 80% interest in 19 mining claims on the Star property (formerly the Sheslay property), a copper-gold discovery located northwest of Telegraph Creek, British Columbia, in the Stikine Arch area of northwestern British Columbia, in exchange for cash payments, the issuance of common shares and exploration expenditures over four years as follows:

Pursuant to the option agreement (the "First Option"), the Company has earned a 51% interest in the Star property by:

- Making cash payments to Firesteel totaling \$300,000 over 18 months (paid);
- Issuing a total of 30,000 Prosper common shares to Firesteel (issued); and
- Incurring exploration expenditures totaling \$1,000,000 over 18 months (incurred).

# PROSPER GOLD CORP.

## Notes to the Financial Statements

For the nine months ended July 31, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited)

### 7. Mineral properties (continued)

#### (b) Star Property, British Columbia, Canada (continued)

The Company has an additional option (the “Second Option”) to earn an additional 19% interest, thereby increasing its total interest in the Property to 70%, which may be exercised by:

- Making cash payments to Firesteel totaling \$200,000 over 36 months (due August 30, 2016) (unpaid);
- Issuing a total of 20,000 Prosper common shares to Firesteel over a period of 36 months (due August 30, 2016) (unissued); and
- Incurring exploration expenditures totaling \$2,000,000 over 36 months (incurred).

The Company has an additional option (the “Third Option”) to earn an additional 10% interest, thereby increasing its total interest in the Property to 80%, which may be exercised by:

- Making cash payments to Firesteel totaling \$500,000 over 48 months (unpaid);
- Issuing a total of 50,000 Prosper common shares to Firesteel over a period of 48 months (unissued); and
- Incurring exploration expenditures totaling \$2,000,000 over 48 months (incurred).

Rather than making the Second Option payment and issuance of common shares due August 30, 2016 and the Third Option payment and issuance of common shares due August 30, 2017, the Company and Firesteel entered into a joint venture agreement on August 30, 2016. The Company holds 51% ownership of the Star property. The joint venture agreement specifies that the Company and Firesteel will contribute funds to continue explorations on the Star property pro-rata, based on their percentage of ownership; 51% to be contributed by Prosper and 49% to be contributed by Firesteel.

The underlying royalty holders are entitled to a 2% NSR on the property. The Company has the option to purchase the 2% royalty entitlement for \$2,000,000.

During the current quarter, the Company entered into a definitive option agreement with CAVU Mining Corp. (“CAVU”) to grant CAVU the exclusive right and option to acquire 51% interest in the Star Project located in the province of British Columbia. Under the terms of the Option Agreement, CAVU may exercise the option by issuing 1,250,000 common shares on or before May 23, 2022 (received) and making aggregate cash payments of \$1,155,000 with the first payment of \$100,000 due on May 23, 2022 (received), \$285,000 due by July 1, 2022 (received), \$385,000 due by May 23, 2023 and \$385,000 due by May 23, 2024. Legal fees of \$12,351 were incurred relating to this transaction.

#### (c) Exploration and evaluation expenditures

During the 3 months and 9 months periods ended July 31, 2022 and 2021, the Company’s exploration expenditures (recovery) consisted of the following:

	Ontario	Star	Total	Ontario	Star	Total
	3 months	3 months	3 months	9 months	9 months	9 months
	ended July	ended July	ended July	ended July	ended July	ended July
	31, 2022	31, 2022	31, 2022	31, 2022	31, 2022	31, 2022
Assay and analysis	\$ 19,859	\$ -	\$ 19,859	\$ 287,966	\$ -	\$ 287,966
Camp accommodation	19,480	-	19,480	85,110	-	85,110
Drilling	-	-	-	1,296,177	-	1,296,177
Equipment rental	747	-	747	22,388	-	22,388
Field costs (recovery)	70,521	400	70,921	267,920	1,800	269,720
Geological (note 12(a))	60,800	-	60,800	212,100	-	212,100
Property rentals and utilities	32,997	-	32,997	133,832	-	133,832
Salaries (note 12(a))	83,664	-	83,664	431,615	-	431,615
Transportation and freight	28,741	-	28,741	51,657	-	51,657
Travel and accommodations	12,691	-	12,691	62,615	-	62,615
Grant received	-	-	-	(200,000)	-	(200,000)
	<b>\$329,500</b>	<b>\$ 400</b>	<b>\$ 329,900</b>	<b>\$ 2,651,380</b>	<b>\$1,800</b>	<b>\$2,653,180</b>

# PROSPER GOLD CORP.

## Notes to the Financial Statements

For the nine months ended July 31, 2022 and 2021

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### 7. Mineral properties (continued)

#### (c) Exploration and evaluation expenditures (continued)

	Ontario	Star	Total	Ontario	Star	Total
	3 months ended July 31, 2021	3 months ended July 31, 2021	3 months ended July 31, 2021	9 months ended July 31, 2021	9 months ended July 31, 2021	9 months ended July 31, 2021
Airborne survey	\$ -	\$ -	\$ -	\$ 22,253	\$ -	\$ 22,253
Assay and analysis	15,567	-	15,567	37,820	-	37,820
Camp	214,529	-	214,529	389,334	-	389,334
Drilling	778,402	-	778,402	778,402	-	778,402
Field costs	271,036	600	271,636	284,055	1,800	285,855
Geological (note 12(a))	107,712	-	107,712	378,875	-	378,875
Property rentals and utilities	-	-	-	59	-	59
Salaries and benefits (note 12(a))	229,238	-	229,238	277,427	-	277,427
Transportation and freight	36,372	-	36,372	60,104	-	60,104
Travel	78,652	-	78,652	82,856	-	82,856
	\$1,731,508	\$ 600	\$ 1,732,108	\$ 2,311,185	\$ 1,800	\$ 2,312,985

### 8. Loan payable

The Company received \$40,000 for the Canada Emergency Business Account ("CEBA") interest free loan up to the initial term date of December 31, 2022. 25% of the loan balance will be forgiven if the balance of 75% of the loan balance is repaid by the initial term date of December 31, 2022. Subsequent to December 31, 2022, if 75% of the loan has not been repaid, then the loan is subject to an interest rate of 5% per annum and due for repayment by December 31, 2025. The loan payable has been initially recorded at fair value of \$35,114 and is calculated based on the application of a fair value interest rate of 5% with the anticipated repayment date of December 31, 2022. The initial difference of \$4,886 between the face value of \$40,000 and the initial fair value of the loan payable of \$35,114 has been recorded as a deferred gain on loan payable. Accretion expense of \$1,432 (9 months ended July 31, 2021 - \$1,363) and amortization of deferred gain of \$1,432 (9 months ended July 31, 2021 - \$1,363) has been included in general and administrative expense resulting in the loan payable balance at July 31, 2022 of \$39,251 (October 31, 2021 - \$37,819) and a deferred gain on loan payable balance of \$749 (October 31, 2021 - \$2,181). During the 9 months period ended July 31, 2022, the repayment deadline to qualify for partial loan forgiveness has been extended from December 31, 2022 to December 31, 2023.

### 9. Share capital

#### (a) Authorized

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

#### (b) Issued

There were no private placements completed for the 9 months period ended July 31, 2022.

Private placement activity for the year ended October 31, 2021 were as follows:

On December 22, 2020, the Company completed a non-brokered private placement of 6,111,111 units at \$0.90 per unit for \$5,500,000. Each unit consists of one common share and one-half of one share purchase warrant exercisable at \$1.35 for 24 months. In connection with the offering, finder's fees totaling \$134,385 in cash were paid and 149,316 common share purchase finder warrants were issued with a fair value of \$107,090. Each finder warrant is non-transferable and exercisable for one common share for a period of 24 months following closing of the offering at an

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# PROSPER GOLD CORP.

## Notes to the Financial Statements

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### 9. Share capital (continued)

#### (b) Issued (continued)

exercise price equal to \$1.35. The estimated fair value of the finder warrants was calculated using the Black-Scholes Option Pricing Model based on the following assumptions: risk free interest rate of 0.23%, expected life of 2 years, no annual dividends, expected volatility of 95.85% and a forfeiture rate of 0%. In addition, the Company incurred \$46,445 of costs for legal fees, filing fees, transfer agent fees and bank charges.

#### (c) Shares issued for property

During the 9 months ended July 31, 2022, the Company issued 800,000 common shares with a fair value of \$352,000 per the Sabina Agreement (note 7(a)). Share issue costs of \$269 were incurred for filing fees.

During the 9 months ended July 31, 2021, the Company issued 50,000 common shares with a fair value of \$87,000 per the Sabina Agreement (note 7(a)). Share issue costs of \$200 were incurred for filing fees.

#### (d) Warrants exercised

There were no warrants exercised for the 9 months period ended July 31, 2022.

During the year ended October 31, 2021, the Company issued 3,313,564 shares (issued 2,064,963 shares up to July 31, 2021) from the exercise of 3,157,310 warrants and 156,254 broker warrants (9 months ended July 31, 2021 – 2,002,997 warrants and 61,966 broker warrants) at an average exercise price of \$0.85 per share (average exercise price for 9 months ended July 31, 2021 - \$0.87). Share issue costs of \$13,595 (9 months ended July 31, 2021 - \$12,733) were incurred for transfer agent fees and \$332 for bank charges (9 months ended July 31, 2021 - \$298).

### 10. Share based payments and warrants

#### (a) Security Based Compensation plan

The Company has a security based compensation plan under which the Board of Directors may from time to time grant to directors, senior officers, consultants and employees share units and options to acquire common shares, exercisable for a period of up to ten years from the date of grant. The security based compensation plan provides that the maximum number of common shares in the capital of the Company that may be reserved for issuance for all purposes under the security based compensation plan shall not exceed 4,184,814 common shares of which 2,510,889 is reserved for stock options and 1,673,925 is allotted for other share compensation arrangements. The maximum number of common shares that may be reserved for issuance to any individual insider pursuant to security based compensation may not exceed 5% of the common shares issued and outstanding at the time of grant, and the number of common shares that may be reserved for issuance to all technical consultants pursuant to security based compensation may not exceed 2% of the common shares issued and outstanding at the time of grant. Security based compensation become exercisable as long as the optionee holds office or continues to be employed by the Company and 90 days following the cessation of an optionee's position with the Company.

#### (b) Stock options

During the 9 months ended July 31, 2022, 41,500 stock options with an exercise price of \$1.85 expired unexercised.

During the year ended October 31, 2021, the Company had the following stock option activities:

On December 30, 2020, the Company granted an aggregate of 1,521,500 incentive options to purchase common shares of the Company to certain directors, officers, and consultants of the Company. The options are exercisable at a price of \$1.35 per common share for 5 years from the date of grant. The options have vesting terms of 25% every 6 months.

# PROSPER GOLD CORP.

## Notes to the Financial Statements

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### 10. Share based payments and warrants (continued)

#### (b) Stock options (continued)

On May 10, 2021, the Company granted an aggregate of 600,000 incentive options to purchase common shares of the Company to certain directors of the Company. The options are exercisable at a price of \$1.60 per common share for 5 years from the date of grant. The options have vesting terms of 25% every 6 months.

During the year ended October 31, 2021, 70,000 stock options with an exercise price of \$2.40 expired unexercised on May 31, 2021 and 55,000 stock options with an exercise price of \$3.45 expired unexercised on September 2, 2021.

During the year ended October 31, 2021, 233,500 stock options were forfeited by a director who resigned from the Board. The vested options with a value of \$153,567 were reallocated from reserves to deficit.

A continuity schedule of the Company's outstanding stock options under the stock option plan is as follows:

	Number Outstanding	Weighted Average Exercise Price
At October 31, 2020	482,500	\$1.97
Granted	2,121,500	\$1.42
Expired	(125,000)	\$2.86
Forfeited	(233,500)	\$1.55
At October 31, 2021	2,245,500	\$1.44
Expired	(41,500)	\$1.85
<b>At July 31, 2022</b>	<b>2,204,000</b>	<b>\$1.43</b>

As at July 31, 2022, the Company had the following share purchase options outstanding and exercisable:

Expiry Date	Exercise Price	Options Outstanding	Fair Value at Grant Date	Remaining Contractual Life (yrs)	Options Exercisable
March 5, 2023	\$ 1.50	65,000	\$ 1.20	0.59	65,000
December 17, 2023	\$ 1.50	157,500	\$ 1.05	1.38	157,500
December 30, 2025	\$ 1.35	1,381,500	\$ 1.41	3.42	1,036,125
May 10, 2026	\$ 1.60	600,000	\$ 1.51	3.78	300,000
		<b>2,204,000</b>	<b>\$ 1.40</b>	<b>3.29</b>	<b>1,558,625</b>

As at October 31, 2021, the Company had the following share purchase options outstanding and exercisable:

Expiry Date	Exercise Price	Options Outstanding	Fair Value at Grant Date	Remaining Contractual Life (yrs)	Options Exercisable
January 23, 2022	\$ 2.00	41,500	\$ 1.85	0.23	41,500
March 5, 2023	\$ 1.50	65,000	\$ 1.20	1.34	65,000
December 17, 2023	\$ 1.50	157,500	\$ 1.05	2.13	157,500
December 30, 2025	\$ 1.35	1,381,500	\$ 1.41	4.17	345,375
May 10, 2026	\$ 1.60	600,000	\$ 1.51	4.53	-
		2,245,500	\$ 1.41	3.97	609,375

# PROSPER GOLD CORP.

## Notes to the Financial Statements

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### 10. Share based payments and warrants (continued)

#### (b) Stock options (continued)

The total fair value of the incentive options and broker warrants were calculated using the Black-Scholes option pricing model with the following weighted average assumptions and inputs:

	July 31, 2022	October 31, 2021
Risk-free interest rate	0.72%	0.64%
Expected volatility	167%	155%
Expected life	4.90 years	4.37 years
Expected dividend yield	-	-
Share price	\$ 1.44	\$ 1.40
Exercise price	\$ 1.42	\$ 1.35
Expected forfeitures	0.00%	0.00%

Expected stock price volatility was derived from historical movements in the closing prices of the Company's stock for a length of time equal to the expected life of the options. Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 0.00% in determining the expense recorded in the accompanying statements of comprehensive loss.

The fair value of the incentive options recognized as share-based payments for the 3 and 9 months periods ended July 31, 2022 were \$224,345 and \$789,858 (3 and 9 months ended July 31, 2021 - \$656,904 and \$1,407,235). The balance consists of \$230,282 and \$811,205 (July 31, 2021 - \$606,415 and \$1,286,939) for the 3 and 9 months ended July 31, 2022 to directors and officers, and an recovery of \$5,937 for the 3 months ended July 31, 2022 and a recovery of \$21,347 for the 9 months ended July 31, 2022 (3 and 9 months ended July 31, 2021 - \$50,489 (expense) and \$120,296 (expense)) to consultants.

#### (c) Restricted share units

On May 10, 2021, the Company issued 1,513,000 restricted share units ("RSUs") to certain officers, employees and consultants of the Company. The RSUs are payable in common shares of the Company or the cash equivalents at the option of the Company, on the redemption date, being 3 years from the date of grant. These RSUs vest in three equal instalments over 3 years. Prior to the end of the 2021 fiscal year, 25,000 restricted share units were cancelled due to the departure of an employee. As at July 31, 2022 and October 31, 2021, there were 1,488,000 RSUs outstanding, of which nil are vested.

The fair value of the RSUs recognized as share-based payments during the 3 months and 9 months periods ended July 31, 2022 equals \$154,980 and \$804,320 (3 and 9 months ended July 31, 2021 - \$199,135 and \$199,135). For the 3 months and 9 months ended July 31, 2022, the balances consist of \$165,487 and \$798,790 (3 and 9 months ended July 31, 2021 - \$179,922 and \$179,922) to directors and officers and \$10,507 (recovery) and \$5,530 (expense) (3 and 9 months ended July 31, 2021 - \$19,213 and \$19,213) to consultants.

#### (d) Warrants

On December 22, 2020, the Company issued 3,055,555 warrants exercisable at \$1.35 per warrant with an expiry date of 24 months in conjunction with the unit private placement. Broker warrants of 149,316 with an exercise price of \$1.35 and an expiry date of 24 months were also issued.

During the year ended October 31, 2021, 250,000 warrants with an exercise price of \$1.50 and 159,583 warrants with an exercise price of \$1.70 expired unexercised.

As at October 31, 2021, 3,157,310 of warrants with an average exercise price of \$0.85 were exercised for a gross proceed of \$2,674,409 and 156,254 broker warrants with an average exercise price of \$0.83 were exercised for proceeds of \$130,416.



# PROSPER GOLD CORP.

## Notes to the Financial Statements

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### 10. Share based payments and warrants (continued)

#### (d) Warrants (continued)

A continuity schedule of the Company's outstanding warrants is as follows:

	Number Outstanding	Weighted Average Exercise Price
At October 31, 2020	8,062,891	\$0.87
Expired	(409,583)	\$1.58
Issued – warrants for private placement	3,055,555	\$1.35
Issued – broker warrants	149,316	\$1.35
Exercised	(3,313,564)	\$0.85
<b>At October 31, 2021 and July 31, 2022</b>	<b>7,544,615</b>	<b>\$1.05</b>

As at October 31, 2021 and July 31, 2022, the Company had the following warrants outstanding and exercisable:

Expiry Date	Exercise Price	Warrants Outstanding	Remaining Contractual Life (yrs)	
			July 31, 2022	October 31, 2021
October 14, 2022	\$0.85	4,521,135	0.21	0.96
December 22, 2022	\$1.35	3,023,480	0.40	1.15
		<b>7,544,615</b>	<b>0.28</b>	<b>1.03</b>

### 11. Financial instruments

The Company's financial instruments consist of cash and cash equivalents, amounts receivable (other than GST receivable), marketable securities, deposit, reclamation deposits, accounts payable and accrued liabilities, lease liability and loan payable.

The fair values of the Company's cash and cash equivalents, amounts receivable (other than GST receivable), marketable securities, deposit and accounts payable and accrued liabilities approximate their carrying amounts due to the short-term maturities of these instruments.

These are classified as level 1 financial instruments. The Company's loan payable is classified as a level 2 financial instrument.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, interest rate risk and foreign currency risk.

#### (a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company considers its exposure to credit risk to be low, as its cash and cash equivalents, deposit and reclamation deposit are deposited with a large financial institution with a strong credit rating. Amounts receivable consists of GST receivable and credits on vendor payable balances.

#### (b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet obligations associated with its financial instruments. The Company manages liquidity risk by maintaining adequate cash and managing its capital. At July 31, 2022, the Company had accounts payable and accrued liabilities of \$134,539 (October 31, 2021 - \$718,627) and lease liability of \$99,894 (October 31, 2021 - \$Nil) due within one year, and cash of \$650,904 (cash and cash equivalents at October 31, 2021 - \$3,636,299). The cash equivalents consist of cashable term deposits of \$3,008,333 with interest rate at 0.48% and maturity dates of November 18, November 24, and December 16, 2021.

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# PROSPER GOLD CORP.

## Notes to the Financial Statements

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### 11. Financial instruments (continued)

#### (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Floating interest earned on the Company's cash balances are considered to be at market interest rates. The deposit of \$30,955 (October 31, 2021 - \$66,259) earns no interest and is deposited with a major bank for the Company's corporate credit card. Assuming that all variables remain constant, a change representing a 1% increase or decrease in the interest rate would not have a significant effect for the Company.

#### (d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency. At July 31, 2022, the Company's monetary assets and liabilities are primarily denominated in Canadian dollars.

There has been no change to the Company's approach to risk management during the period ended July 31, 2022.

### 12. Related party transactions and balances

The Company's related parties consist of its key management personnel, including its directors, and their close family members and entities controlled by key management personnel. During the periods ended July 31, 2022 and 2021, the Company had the following related party transactions:

(a) Key management compensation for the periods ended July 31, 2022 and 2021 were as follows:

	<b>3 months ended July 31, 2022</b>	3 months ended July 31, 2021	<b>9 months ended July 31, 2022</b>	9 months ended July 31, 2021
Short-term benefits	\$ 195,355	\$ 210,295	\$ 587,130	\$ 707,932
Share-based payments	395,769	786,337	1,609,995	1,466,861
	<b>\$ 591,124</b>	<b>\$ 996,632</b>	<b>\$ 2,197,125</b>	<b>\$ 2,174,7913</b>

Short-term benefits include \$114,105 and \$343,380 for the 3 months and 9 months periods ended July 31, 2022 (3 months and 9 months ended July 31, 2021 - \$118,305 and \$448,313) in management fees, \$50,000 and \$150,000 (3 and 9 months ended July 31, 2021 - \$64,375 and \$188,542) in geological exploration expenditures, \$31,250 and \$93,750 (3 and 9 months ended July 31, 2021 - \$27,615 and \$71,077) for exploration salaries.

(b) At July 31, 2022, accounts payable and accrued liabilities include \$19,515 (October 31, 2021 - \$55,907) due to officers of the Company of which \$18,825 is for management salaries and fees and \$690 is for expense reimbursement. Interest is not charged on outstanding balances and there are no specified terms of repayment.

(c) During the year ended October 31, 2021, the Company purchased a vehicle for \$25,000 from a company controlled by an officer of the Company.

### 13. Segmented information

The Company has one reportable operating segment in two geographical locations, being the exploration and development of the Star property in British Columbia, Canada and exploration and development of the Ontario Projects in Ontario, Canada.

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# **PROSPER GOLD CORP.**

## **Notes to the Financial Statements**

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**(Unaudited)**

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### **14. Management of capital**

The Company's capital includes all amounts attributable to its shareholders. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure that optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital structure, the Company may issue additional shares or debt. The Company is dependent on the capital markets as its primary source of operating capital, and the Company's capital resources are largely determined by the strength of the junior resource markets.

The Company is not subject to any capital requirements imposed by regulators or other third parties.

At July 31, 2022, the Company had cash of \$650,904 and working capital of \$685,036. The Company will require additional capital to fund its total obligations under the Option Agreement to purchase the Ontario Projects and the Star Property (note 7) and general and administrative costs. However, there is no guarantee that such financing will be available to the Company or on suitable terms.

There were no changes in the Company's approach to capital management during the period ended July 31, 2022.

### **15. Commitments**

The Company entered into a lease agreement for the office premises in Vancouver effective May 1, 2022 for a term of 18 months. The base rent for the first 6 months will be \$8,451 per month with the remaining months at \$8,753 per month.