



**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023**

### **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

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 interim financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**FOSTERVILLE SOUTH EXPLORATION LTD.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars - Unaudited)

As at	June 30, 2023	December 31, 2022
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 13,814,170	\$ 15,639,950
Receivables	48,969	35,380
Prepaid expenses	127,525	91,323
	13,990,664	15,766,653
<b>Equipment</b> (Note 5)	181,516	240,324
<b>Exploration and evaluation assets</b> (Note 6)	768,842	774,953
<b>Reclamation bonds</b>	66,349	69,224
	\$ 15,007,371	\$ 16,851,154
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 10)	\$ 238,247	\$ 235,030
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 8)	40,398,428	40,398,428
Contributed surplus	5,418,189	5,418,189
Accumulated other comprehensive loss	(111,834)	(74,613)
Deficit	(30,935,659)	(29,125,880)
	14,769,124	16,616,124
	\$ 15,007,371	\$ 16,851,154

Nature of operations (Note 1)

Subsequent event (Note 14)

**Approved and authorized on behalf of the Board of Directors on August 24, 2023**

\_\_\_\_\_  
"John Lewins" Director

\_\_\_\_\_  
"Robert McMorran" Director

**FOSTERVILLE SOUTH EXPLORATION LTD.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars - Unaudited)

	<b>For the three month period ended June 30, 2023</b>	<b>For the three month period ended June 30, 2022</b>	<b>For the six month period ended June 30, 2023</b>	<b>For the six month period ended June 30, 2022</b>
<b>EXPENSES</b>				
Accretion	\$ -	\$ 2,971	\$ -	\$ 5,799
Consulting fees	-	-	5,000	10,318
Depreciation (Note 5)	24,770	26,523	50,450	52,763
Directors' fees (Note 11)	18,000	18,000	36,000	36,000
Project investigation	86,648	-	86,648	-
Exploration expenditures (Notes 6 and 11)	335,073	1,480,856	830,322	2,764,103
Foreign exchange loss	3,378	1,642	3,575	1,975
Investor relations	21,000	21,000	42,000	42,000
Management fees (Note 11)	81,000	81,000	162,000	164,700
Office expenses	27,483	43,866	52,612	82,810
Professional fees (Note 11)	117,597	63,651	254,251	178,362
Share-based payments (Note 8)	-	3,534	-	24,962
Shareholder communications and marketing	299,082	138,148	402,996	261,760
Transfer agent, filing and listing fees	6,240	5,939	15,589	18,988
Travel	5,494	39,277	23,121	59,576
<b>Loss before undernoted</b>	<b>(1,025,765)</b>	<b>(1,926,407)</b>	<b>(1,964,564)</b>	<b>(3,704,116)</b>
Interest income	77,692	30,147	154,785	43,263
<b>Loss for the period</b>	<b>(948,073)</b>	<b>(1,896,260)</b>	<b>(1,809,779)</b>	<b>(3,660,853)</b>
<b>Other comprehensive loss</b>				
Exchange difference on translation of foreign operations	(6,889)	(43,130)	(37,221)	(45,468)
<b>Comprehensive loss for the period</b>	<b>\$ (954,962)</b>	<b>\$ (1,939,390)</b>	<b>\$ (1,847,000)</b>	<b>\$ (3,706,321)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.01)</b>	<b>\$ (0.03)</b>	<b>\$ (0.03)</b>	<b>\$ (0.05)</b>
<b>Basic and diluted weighted average number of common shares outstanding</b>	<b>68,239,383</b>	<b>68,019,560</b>	<b>68,239,383</b>	<b>68,019,560</b>

**FOSTERVILLE SOUTH EXPLORATION LTD.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in Canadian dollars, except for share figures - Unaudited)

	Number	Amount	Contributed Surplus	Accumulated Other Comprehensive loss	Deficit	Total
<b>Balance, December 31, 2021</b>	67,918,383	\$ 40,174,111	\$ 5,489,144	\$ 27,838	\$ (23,054,558)	\$ 22,636,535
Stock-options exercised	321,000	224,317	(95,917)	-	-	128,400
Share-based payments	-	-	24,962	-	-	24,962
Loss for the period	-	-	-	(45,468)	(3,660,853)	(3,706,321)
<b>Balance, June 30, 2022</b>	68,239,383	40,398,428	5,418,189	(17,630)	(26,715,411)	19,083,576
Loss for the period	-	-	-	(56,983)	(2,410,469)	(2,467,452)
<b>Balance, December 31, 2022</b>	68,239,383	40,398,428	5,418,189	(74,613)	(29,125,880)	16,616,124
Loss for the period	-	-	-	(37,221)	(1,809,779)	(1,847,000)
<b>Balance, June 30, 2023</b>	68,239,383	\$ 40,398,428	\$ 5,418,189	\$ (111,834)	\$ (30,935,659)	\$ 14,769,124

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

**FOSTERVILLE SOUTH EXPLORATION LTD.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars - Unaudited)

For the six months ended,	<b>June 30, 2023</b>	<b>June 30, 2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss for the period	\$ (1,809,779)	\$ (3,660,853)
Items not involving cash:		
Accretion	-	5,799
Depreciation	50,450	52,763
Share-based payments	-	24,962
Changes in non-cash working capital items:		
Receivables	(13,589)	(29,704)
Prepaid expenses	(36,202)	(164,770)
Accounts payable and accrued liabilities	3,217	17,974
Net cash used in operating activities	<u>(1,805,903)</u>	<u>(3,753,829)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Reclamation bonds	2,875	2,043
Equipment acquisition costs	-	(18,700)
Net cash provided by (used in) investing activities	<u>2,875</u>	<u>(16,657)</u>
<b>CASHFLOWS FROM FINANCING ACTIVITY:</b>		
Issuance of shares – stock options	-	128,400
Net cash provided by financing activity	<u>-</u>	<u>128,400</u>
<b>Change in cash and cash equivalents during the period</b>	<b>(1,803,028)</b>	<b>(3,642,086)</b>
<b>Foreign exchange</b>	<b>(22,752)</b>	<b>(29,213)</b>
<b>Cash and cash equivalents – beginning of the period</b>	<b>15,639,950</b>	<b>21,649,394</b>
<b>Cash and cash equivalents – end of the period</b>	<b>\$ 13,814,170</b>	<b>\$ 17,978,095</b>

Supplemental disclosure with respect to cash flows (Note 12)

**FOSTERVILLE SOUTH EXPLORATION LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the three and six-month period ended June 30, 2023  
(Expressed in Canadian Dollars - Unaudited)

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**1. NATURE OF OPERATIONS**

Fosterville South Exploration Ltd. (“the Company” or “Fosterville”) was incorporated under the Business Corporations Act of British Columbia on July 22, 2019. The Company is engaged in the acquisition, exploration and development of mineral properties in Australia. The Company’s head office is located at 488 – 1090 West Georgia Street, Vancouver, BC V6E 3V7.

On March 18, 2020, the Company filed its initial prospectus and on April 14, 2020, the Company’s shares commenced trading on the TSX Venture Exchange (the “TSX-V”) under the symbol FSX.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) 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 has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. While management believes that the Company is adequately capitalized and while the Company has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available or be available on favourable terms.

**2. BASIS OF PREPARATION**

**Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements are compliant with IAS 34 and do not include all of the information required for full annual financial statements.

**Basis of presentation**

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments measured at fair value through profit and loss.

**Consolidation**

These condensed consolidated interim financial statements include the financial statements of the Company and its wholly-owned and controlled subsidiaries, Currawong Resources Pty Ltd., incorporated in Australia on September 10, 2014 (“Currawong”) from its date of acquisition (Note 6), Bendigo Gold Corp. (“Bendigo”), incorporated in Canada on November 8, 2019.

Fosterville and Bendigo have a functional currency of Canadian Dollar (CAD). Currawong Australia have a functional currency of the Australian Dollar (AUD).

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

**3. SIGNIFICANT ACCOUNTING POLICIES**

The Company’s accounting policies are the same as those applied in the Company’s consolidated financial statements for the year ended December 31, 2022. These condensed consolidated interim financial statements should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2022.

#### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the period of the change, if the change affects that period only; in the period of the change and future periods, if the change affects both.

##### **Critical Judgments**

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustments to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

###### *Title to mineral property interests*

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and titles may be affected by undetected defects.

###### *Impairment of exploration and evaluation assets*

The carrying value and recoverability of exploration and evaluation assets requires management to make certain estimates, judgments and assumptions about each project. Management considers the economics of the project, including the latest resource prices and the long-term forecasts, and the overall economic viability of the project. Management has assessed these indicators and does not believe an impairment provision is required.

##### **Key Sources of Estimation Uncertainty**

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

###### *Share-based payments*

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

**FOSTERVILLE SOUTH EXPLORATION LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the three and six-month period ended June 30, 2023  
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**5. EQUIPMENT**

	<b>Vehicles</b>	<b>Equipment</b>	<b>Total</b>
<b>Cost</b>			
Balance at December 31, 2021	\$ 216,611	\$ 225,059	\$ 441,670
Additions	-	50,496	50,496
Foreign exchange	(212)	686	474
Balance at December 31, 2022	216,399	276,241	492,640
Foreign exchange	(8,989)	(11,475)	(20,464)
<b>Balance at June 30, 2023</b>	<b>\$ 207,410</b>	<b>\$ 264,766</b>	<b>\$ 472,176</b>
<b>Accumulated depreciation</b>			
Balance at December 31, 2021	\$ 58,855	\$ 83,481	\$ 142,336
Depreciation	30,964	77,215	108,179
Foreign exchange	499	1,302	1,801
Balance at December 31, 2022	90,318	161,998	252,316
Depreciation	15,609	34,841	50,450
Foreign exchange	(4,255)	(7,851)	(12,106)
<b>Balance at June 30, 2023</b>	<b>\$ 101,672</b>	<b>\$ 188,988</b>	<b>\$ 290,660</b>
<b>Carrying amount</b>			
As at December 31, 2022	\$ 126,081	\$ 114,243	\$ 240,324
<b>As at June 30, 2023</b>	<b>\$ 105,738</b>	<b>\$ 75,778</b>	<b>\$ 181,516</b>

**6. EXPLORATION AND EVALUATION ASSETS**

**Currawong Projects**

During the year ended December 31, 2019, the Company acquired a 100% right, title and interest in and to certain Central Victoria Properties in Australia, through the acquisition of Currawong. Pursuant to the terms of a share purchase agreement, the Company issued 3,000,000 common shares of the Company and paid AUD\$300,000 over a period of three years (note 7). The transaction was accounted for as an asset purchase of mineral property interests and \$686,389 was allocated to the fair value of exploration and evaluation assets. The Central Victoria Properties are exploration stage properties comprised of the Golden Mountain Project, the Providence Project, the Lauriston Gold Project, and other exploration license applications filed with the state of Victoria, in the south east area of Australia.

**Beechworth Projects**

During the year ended December 31, 2020 the Company entered into a property acquisition agreement with Northern Mine Ventures P/L (“Northern Mine”), under which it acquired the 36-square-kilometre Beechworth gold project in Victoria, Australia, held within EL4697 and RLA006013 by Northern Mine.

Pursuant to the terms of the 2020 agreement between the Company and Northern Mine, the Company paid CAD\$49,175 (AUD \$50,000) to Northern Mine and agreed to pay an additional AUD \$250,000 on the date that the granted Exploration Licence is converted to a Retention Licence (the application to convert to a Retention Licence has been filed but has not been converted). The Company also agreed to incur AUD \$130,000 in exploration expenditures on the project within 90 days. Northern Mine retained a 2.5% NSR, which may be repurchased with a one-time payment of AUD \$2,000,000.

**FOSTERVILLE SOUTH EXPLORATION LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the three and six-month period ended June 30, 2023  
(Expressed in Canadian Dollars - Unaudited)

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**6. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

**Moormbool, Avoca and Timor Projects**

During the year ended December 31, 2020 the Company entered into a purchase agreement with Mercator Gold Australia Pty. Ltd. (“Mercator”), a subsidiary of Alternative Investment Market-listed ECR Minerals PLC, whereby it acquired a 100% interest in three high-grade gold projects called the Timor project, the Avoca project and the Moormbool project.

During the year ended December 31, 2020, the Company completed a spin-out of its wholly owned subsidiary Leviathan Gold Ltd. (“Leviathan”). During the year ended December 31, 2021, the Timor and Avoca projects were sold to Leviathan for AUD\$764,081 (CAD\$730,079), and accordingly the Company only holds the Moormbool project.

Under the terms of the purchase agreement, the Company paid \$448,495 (AUD\$500,000) to Mercator in consideration of a 100% interest in the three gold projects. The Company will also pay Mercator AUD\$1 for every ounce of gold or gold equivalent of measured resource, indicated resource or inferred resource (the “Resource Payment”) within one or more of the tenements comprising the gold projects, which payment shall not exceed a total of AUD\$1,000,000. In the event the Company carries out commercial production on the gold projects, the Company will pay Mercator AUD\$1 for every ounce of gold or gold equivalent ounces produced from the tenements comprising the gold projects, which payment shall not exceed a total of AUD\$1,000,000 (the “Commercial Production Payment”).

**Other Projects**

In addition to the projects listed above, the Company has submitted tenement applications for new projects, including the Walhalla Project, and other areas contiguous to current projects. All projects are in Victoria, Australia.

Below is a summary of the changes in the exploration and evaluation assets for the periods ended June 30, 2023 and December 31, 2022:

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	<b>June 30, 2023</b>	<b>December 31, 2022</b>
<b>Balance, beginning of period</b>	\$ 774,953	\$ 833,627
Foreign exchange	(6,111)	(58,674)
<b>Balance, end of period</b>	<b>\$ 768,842</b>	<b>\$ 774,953</b>

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**FOSTERVILLE SOUTH EXPLORATION LTD.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three and six-month period ended June 30, 2023

(Expressed in Canadian Dollars - Unaudited)

**6. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

During the period ended June 30, 2023, the Company incurred exploration costs as follows:

<i>Exploration Expenditures</i>	Golden Mountain Project	Lauriston Project	Beechworth Project	Providence Project	Walhalla	Other Projects and General Exploration	Total
Assay	\$ 2,423	\$ 8,969	\$ 3,749	\$ 3,453	\$ 5,164	\$ 526	\$ 24,284
Data compilation	702	616	-	301	197	15,462	17,278
Equipment rental	-	22,009	-	78	1,002	-	23,089
Field expenditures	6,394	7,944	290	6,676	14,326	-	35,630
Geological consulting	16,452	38,123	9,654	29,417	82,356	40,837	216,839
Geophysics	-	-	-	-	2,687	-	2,687
Mapping and surveying	-	930	1,548	-	4,053	-	6,531
Project administration	1,456	6,927	1,584	4,448	18,005	2,274	34,694
Salaries and wages	19,810	65,299	3,133	51,176	91,070	124,028	354,516
Tenement administration & fees	14,352	16,800	8,158	9,152	12,640	9,482	70,584
Travel	4,228	13,389	457	2,571	10,875	12,670	44,190
	<u>\$ 65,817</u>	<u>\$ 181,006</u>	<u>\$ 28,573</u>	<u>\$ 107,272</u>	<u>\$ 242,375</u>	<u>\$ 205,279</u>	<u>\$ 830,322</u>

**FOSTERVILLE SOUTH EXPLORATION LTD.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the three and six-month period ended June 30, 2023

(Expressed in Canadian Dollars - Unaudited)

**6. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

During the period ended June 30, 2022, the Company incurred exploration costs as follows:

<i>Exploration Expenditures</i>	Golden Mountain Project	Lauriston Project	Beechworth Project	Providence Project	Walhalla	Other Projects and General Exploration	Total
Assay	\$ 8,175	\$ 27,641	\$ 6,981	\$ 30,332	\$ 5,063	\$ 200	\$ 78,392
Data compilation	562	227	20	1,100	903	21,850	24,662
Drilling	238,345	213,155	3,704	653,592	153,144	62,452	1,324,392
Equipment rental	-	36,088	82	22,920	14,555	9,041	82,686
Field expenditures	13,982	22,542	11,631	48,347	17,970	18,063	132,535
Geological consulting	28,035	92,344	14,742	37,272	48,934	13,169	234,496
Geophysics	-	17,998	2,606	24,136	33,005	-	77,745
Mapping and surveying	-	-	7,408	-	3,795	-	11,203
Project administration	2,982	9,309	869	12,815	5,070	3,840	34,885
Project Management	1,459	-	722	478	-	-	2,659
Salaries and wages	44,254	114,593	62,257	184,403	38,727	112,531	556,765
Sampling	-	16,702	4,566	-	8,794	2,791	32,853
Tenement administration & fees	13,949	35,710	12,930	27,463	24,448	9,999	124,499
Travel	12,810	6,522	3,401	23,598	-	-	46,331
	<u>\$ 364,553</u>	<u>\$ 592,831</u>	<u>\$ 131,919</u>	<u>\$ 1,066,456</u>	<u>\$ 354,408</u>	<u>\$ 253,936</u>	<u>\$ 2,764,103</u>

**FOSTERVILLE SOUTH EXPLORATION LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the three and six-month period ended June 30, 2023  
(Expressed in Canadian Dollars - Unaudited)

**6. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

Pursuant to the Australian mineral rights regulations, the Company is required to incur annual minimum exploration expenditures to maintain the exploration licenses. Under Australian mining laws, the Company is required to incur AUD\$15,000 plus AUD \$150 per km<sup>2</sup> in first year, AUD \$200 per km<sup>2</sup> for each of second, third and fourth year and AUD \$300 per km<sup>2</sup> for each year thereafter. The expenditure commitment per km<sup>2</sup> increases over time, but is offset by forced tenement area reductions on the second and fourth anniversary of 25% and 40% respectively. The Company estimates the following annual minimum exploration expenditures to fall due, based on both granted licenses and the anticipated timing of pending licenses being granted, to be AUD\$647,725 in 2023, AUD\$1,018,475 in 2024, AUD\$1,055,575 in 2025, and AUD\$986,605 in 2026.

**7. DEFERRED ACQUISITION PAYMENTS**

On August 8, 2019, the Company closed the acquisition of Currawong through the issuance of 3,000,000 common shares and agreeing to make total payments of AUD\$300,000 as follows:

- AUD\$75,000 on closing (paid \$68,241);
- AUD\$75,000 by August 8, 2020 (paid \$71,702);
- AUD\$75,000 by August 8, 2021 (paid \$68,862); and
- AUD\$75,000 by August 8, 2022 (paid \$67,281).

The fair value of the deferred payments of \$142,037 over a three-year period was determined on the date of the acquisition using a discounted cash flow model. A discount rate of 20% was used. The changes in the value of the deferred payments are as follows:

	June 30, 2023	December 31, 2022
	\$	\$
Balance, beginning of period	-	61,855
Accretion expense	-	7,078
Payments	-	(67,281)
Foreign exchange	-	(1,652)
Balance, end of period	-	-

**8. SHARE CAPITAL**

**Authorized**

Unlimited common shares without par value.

**Share issuances**

The Company did not issue any shares during the period ended June 30, 2023.

The Company received \$128,400 from the exercise of 321,000 stock options during the year ended December 31, 2022.

**Stock Options and Warrants**

The Directors of the Company adopted a stock option plan on December 12, 2019 (the "Option Plan"). The Option Plan provides that, subject to the requirements of the Exchange, the aggregate number of securities reserved for issuance will be 10% of the number of the Company's common shares issued and outstanding at the time such options are granted. Options may be granted under the Option Plan to such directors, officers, employees, management or consultants of the Company and its affiliates, if any, as the Board of Directors may from time to time designate.

**FOSTERVILLE SOUTH EXPLORATION LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the three and six-month period ended June 30, 2023  
(Expressed in Canadian Dollars - Unaudited)

**8. SHARE CAPITAL (cont'd...)**

**Stock Options and Warrants (cont'd...)**

The Option Plan provides that the number of Common Shares that may be reserved for issuance to any one individual upon exercise of all stock options held by such individual may not exceed 5% of the issued common shares, if the individual is a director, officer, employee or consultant, or 2% of the issued common shares, if the individual is engaged in providing investor relations services, in a twelve month basis, unless disinterested shareholder approval is obtained. All options granted under the Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability.

The Directors of the Company adopted a stock option plan on December 12, 2019 (the "Option Plan"). The Option Plan provides that, subject to the requirements of the Exchange, the aggregate number of securities reserved for issuance will be 10% of the number of the Company's common shares issued and outstanding at the time such options are granted. Options may be granted under the Option Plan to such directors, officers, employees, management or consultants of the Company and its affiliates, if any, as the Board of Directors may from time to time designate. The Option Plan provides that the number of Common Shares that may be reserved for issuance to any one individual upon exercise of all stock options held by such individual may not exceed 5% of the issued common shares, if the individual is a director, officer, employee or consultant, or 2% of the issued common shares, if the individual is engaged in providing investor relations services, in a twelve month basis, unless disinterested shareholder approval is obtained. All options granted under the Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability.

The Company did not grant any stock options during the periods ended June 30, 2023 and June 30, 2022. During the period ended June 30, 2023 the Company recorded \$nil (2022 - \$24,962) of share-based payments expense related to stock options granted and vested.

The changes in the stock options and share purchase warrants for the period ended June 30, 2023 and the year ended December 31, 2022 are as follows:

	Stock Options		Warrants	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Balance, December 31, 2021	6,075,000	\$ 1.09	3,737,063	\$ 2.68
Exercised	(321,000)	0.40	-	-
Expired	-	-	(3,737,063)	2.68
Balance, December 31, 2022 and June 30, 2023	5,754,000	\$ 1.13	-	\$ -

The Company had no share purchase warrants outstanding as at June 30, 2023. The balance of stock options outstanding as at June 30, 2023 was as follows:

Expiry Date	Number	Exercise Price	Remaining Life (Years)
<b>Stock options</b>			
April 14, 2025	2,154,000	\$ 0.40	1.79
April 19, 2026	3,600,000	\$ 1.57	2.81

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**8. SHARE CAPITAL (cont'd...)**

**Restricted and Deferred Share Units**

The Company has a long-term incentive plan ("LTIP"), that permits the grant of Restricted Share Units and Deferred Share Units (collectively referred to as "Awards") to directors, officers, employees and consultants. Under the terms of the LTIP the maximum number of Awards that can be granted is fixed at 6,823,938. Further, the maximum number of shares for which Awards and other share compensation issuable to: (i) any participant shall not exceed 5% of the outstanding shares within any one year period, (ii) a consultant shall not exceed 2% of the outstanding shares within any one year period; and (iii) insiders as a group shall not exceed 10% of the outstanding shares. No persons providing investor relations activities may be granted Awards under the SBC Plan. All Awards are subject to a mandatory one-year vesting requirement. The Company did not grant any Awards during the period ended June 30, 2023 or 2022.

**9. MANAGEMENT OF CAPITAL**

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 which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. 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 its ability to compete for investor support of its projects.

There were no changes to the Company's approach to capital management during the period ended June 30, 2023.

**10. FINANCIAL INSTRUMENTS**

For financial instruments held by the Company, management classifies cash and cash equivalents as FVTPL and receivables, accounts payable and accrued liabilities, and deferred acquisition payments as amortized cost.

**a) Fair value of financial instruments**

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

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;  
and

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

As at June 30, 2023, the Company believes that the carrying values of receivables, accounts payable and accrued liabilities approximate their fair values because of their nature and relatively short maturity dates or durations. The carrying value of deferred acquisition payments approximates fair value because the factors considered in assessing the fair value of this item have not changed from the issuance date to June 30, 2023. The fair value of cash and cash equivalents is based on level 1 inputs of the fair value hierarchy.

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**10. FINANCIAL INSTRUMENTS (cont'd...)**

**b) Management of risks arising from financial instruments**

Discussions of risks associated with financial assets and liabilities are detailed below:

*Credit risk*

Credit risk arises from cash and cash equivalents held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash and cash equivalents is held with reputable Canadian and Australian banks. The credit risk related to cash and cash equivalents is considered minimal.

*Interest rate risk*

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize such a loss is limited because the Company has no interest-bearing financial instruments.

*Liquidity risk*

The Company manages liquidity risk by maintaining sufficient cash and cash equivalents to enable settlement of transactions as they come due. Management monitors the Company's contractual obligations and other expenses to ensure adequate liquidity is maintained.

Contractual cash flow requirements as at June 30, 2023 were as follows:

	<b>&lt; 1 year \$</b>	<b>1 – 2 years \$</b>	<b>3 – 5 years \$</b>	<b>Total \$</b>
Accounts payable and accrued liabilities	238,247	-	-	238,247
<b>Total</b>	<b>238,247</b>	<b>-</b>	<b>-</b>	<b>238,247</b>

*Currency risk*

The international nature of the Company's operations results in foreign exchange risk. The Company's operating costs are primarily in Canadian dollars, Australian dollars and US dollars. Any fluctuations of the Canadian dollar in relation to these currencies may affect the profitability of the Company and the value of the Company's assets and liabilities. Management believes the foreign exchange risk derived from currency conversions is not significant and therefore does not hedge its foreign exchange risk.

**11. RELATED PARTY TRANSACTIONS**

Key management compensation consists of the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and the Board of Directors. The Company incurred charges to directors and officers, or to companies associated with these individuals, during the six-month periods ended June 30, 2023 and 2022 are as follows:

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**11. RELATED PARTY TRANSACTIONS (cont'd...)**

	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Directors fees	\$ 36,000	\$ 36,000
Management fees	162,000	162,000
Project investigation, exploration and geological consulting fees	223,249	220,431
Professional fees	173,869	101,322
Rent, included in office expenses	30,000	30,000
	<b>\$ 625,118</b>	<b>\$ 549,753</b>

As at June 30, 2023, \$102,390 (December 31, 2022 - \$136,836) was included in accounts payable and accrued liabilities owing to directors, officers, and companies controlled or affiliated with directors and officers of the Company in relation to fees and reimbursement of expenses.

**12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

There were no material non-cash transactions during the six month periods ended June 30, 2023 and 2022.

**13. SEGMENT INFORMATION**

The Company operates in one reportable operating segment, being the acquisition, exploration, and evaluation of resource properties in Victoria, Australia, refer to Note 6.

**14. SUBSEQUENT EVENT**

During the period ended June 30, 2023, the Company announced that it had entered into a non-binding term sheet to acquire 100% of the issued and outstanding securities of Wild Dog Resources Inc (“WDR”), an exploration company with certain exploration licenses in Papua New Guinea. Subsequent to June 30, 2023 the Company and 15103452 Canada Inc., a wholly owned subsidiary of the Company (“FSX Sub”), and WDR, entered into a definitive amalgamation agreement whereby the Company will acquire all of the issued and outstanding common shares of WDR by means of a three-cornered amalgamation, whereby FSX Sub and WDR will amalgamate and continue as one company, as a wholly owned subsidiary of the Company. The Company will acquire all the issued and outstanding securities of WDR in consideration for the issuance of approximately 16,800,000 common shares to the shareholders of WDR, 526,835 share purchase warrants to the warrant holders of WDR and 1,553,520 options to the stock option holders of WDR. The transaction is subject to TSX Venture Exchange acceptance and such conditions are customary for similar transactions.