



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

**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022**

### **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)

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 17,978,095	\$ 21,649,394
Receivables	90,995	61,291
Prepaid expenses	290,268	125,498
	<u>18,359,358</u>	<u>21,836,183</u>
<b>Equipment</b> (Note 5)	256,034	299,334
<b>Reclamation bonds</b>	58,044	60,087
<b>Exploration and evaluation assets</b> (Note 6)	<u>826,629</u>	<u>833,627</u>
	<u>\$ 19,500,065</u>	<u>\$ 23,029,231</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 12)	\$ 348,815	\$ 330,841
Deferred acquisition payments – current portion (Note 7)	67,674	61,855
	<u>416,489</u>	<u>392,696</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 9)	40,398,428	40,174,111
Contributed surplus	5,418,189	5,489,144
Accumulated other comprehensive loss	(17,630)	27,838
Deficit	<u>(26,715,411)</u>	<u>(23,054,558)</u>
	<u>19,083,576</u>	<u>22,636,535</u>
	<u>\$ 19,500,065</u>	<u>\$ 23,029,231</u>

Nature of operations (Note 1)

**Approved and authorized on behalf of the Board of Directors on August 11, 2022**

\_\_\_\_\_  
“Bryan Slusarchuk” Director

\_\_\_\_\_  
“Robert McMorran” Director

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

For the	Three-month period ended June 30, 2022	Three-month period ended June 30, 2021	Six-month Period ended June 30, 2022	Six-month period ended June 30, 2021
<b>EXPENSES</b>				
Accretion (Note 7)	\$ 2,971	\$ 5,654	\$ 5,799	\$ 11,181
Consulting fees	-	-	10,318	448
Depreciation (Note 5)	26,523	45,369	52,763	88,188
Directors' fees (Note 12)	18,000	18,000	36,000	36,000
Exploration expenditures (Note 6)	1,480,856	1,275,076	2,764,103	2,590,959
Foreign exchange loss (gain)	1,642	553	1,975	(2,190)
Management fees (Note 12)	81,000	108,000	164,700	270,000
Office expenses	43,866	45,534	82,810	69,785
Professional fees (Note 12)	63,651	74,143	178,362	180,716
Share-based payments (Note 9)	3,534	3,685,788	24,962	3,685,788
Shareholder communications and marketing	159,148	439,027	303,760	731,880
Transfer agent, filing and listing fees	5,939	33,225	18,988	60,725
Travel	39,277	245	59,576	547
<b>Loss before undernoted</b>	<b>(1,926,407)</b>	<b>(5,730,614)</b>	<b>(3,704,116)</b>	<b>(7,724,027)</b>
Interest income	30,147	23,743	43,263	39,381
<b>Loss for the period</b>	<b>(1,896,260)</b>	<b>(5,706,871)</b>	<b>(3,660,853)</b>	<b>(7,684,646)</b>
<b>Other comprehensive loss:</b>				
Exchange difference on translation of foreign operations	(43,130)	(74,495)	(45,468)	(103,270)
<b>Comprehensive Loss for the period</b>	<b>\$ (1,939,390)</b>	<b>\$ (5,781,366)</b>	<b>\$ (3,706,321)</b>	<b>\$ (7,787,916)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.03)</b>	<b>\$ (0.09)</b>	<b>\$ (0.05)</b>	<b>\$ (0.11)</b>
<b>Basic and diluted weighted average number of common shares outstanding</b>	<b>68,019,560</b>	<b>67,918,383</b>	<b>68,019,560</b>	<b>67,918,383</b>

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

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

	<b>Number</b>	<b>Amount</b>	<b>Contributed Surplus</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Deficit</b>	<b>Total</b>
<b>Balance, December 31, 2020</b>	67,918,383	\$ 40,174,111	\$ 1,604,093	\$ 123,337	\$ (10,951,738)	\$ 30,949,803
Share-based payments	-	-	3,685,788	-	-	3,685,788
Loss for the period	-	-	-	(103,270)	(7,684,646)	(7,787,916)
<b>Balance, June 30, 2021</b>	67,918,383	40,174,111	5,289,881	20,067	(18,636,384)	26,847,675
Share-based payments	-	-	199,263	-	-	199,263
Loss for the period	-	-	-	7,771	(4,418,174)	(4,410,403)
<b>Balance, December 31, 2021</b>	67,918,383	40,174,111	5,489,144	27,838	(23,054,558)	22,636,535
Stock option 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

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	June 30, 2022	June 30, 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss for the period	\$ (3,660,853)	\$ (7,684,646)
Items not involving cash:		
Accretion	5,799	11,181
Finance expense	-	2,106
Depreciation	52,763	88,188
Share-based payments	24,962	3,685,788
Changes in non-cash working capital items:		
Receivables	(29,704)	(44,047)
Prepaid expenses	(164,770)	111,034
Accounts payable and accrued liabilities	17,974	(318,978)
Net cash used in operating activities	<u>(3,753,829)</u>	<u>(4,149,374)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Reclamation bonds	2,043	(17,078)
Equipment acquisition costs	(18,700)	(106,055)
Sale of mineral property assets	-	730,079
Held for distribution – transaction costs incurred	-	(145,000)
Net cash used in (provided by) investing activities	<u>(16,657)</u>	<u>461,946</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Issuance of shares – stock options	128,400	-
Repayment of lease liability	-	(8,945)
Net cash provided by (used in) financing activities	<u>128,400</u>	<u>(8,945)</u>
<b>Change in cash during the period</b>	<b>(3,642,086)</b>	<b>(3,696,373)</b>
<b>Foreign exchange</b>	<b>(29,213)</b>	<b>(60,001)</b>
<b>Cash – beginning of the period</b>	<b>21,649,394</b>	<b>29,412,032</b>
<b>Cash – end of the period</b>	<b>\$ 17,978,095</b>	<b>\$ 25,655,658</b>

Supplemental disclosure with respect to cash flows (Note 13)

**FOSTERVILLE SOUTH EXPLORATION LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the six months ended June 30, 2022  
(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 the Company is well capitalized and 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 favorable terms.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

**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**

The 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. (“Currawong”) and Bendigo Gold Corp. (“Bendigo”).

**FOSTERVILLE SOUTH EXPLORATION LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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**2. BASIS OF PREPARATION (Cont'd...)**

Fosterville and Bendigo have a functional currency of Canadian Dollar (CAD) and Currawong has 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, 2021. These condensed consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements for year ended December 31, 2021.

**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 condensed consolidated interim 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.

*Issuances of shares for properties*

Management makes judgments in determining the share price attributed to issuances of shares for mineral properties. Management considers market conditions, recent or pending private placements of the Company, and or contracted terms of the issuance. Should management's judgment as to an appropriate share price be incorrect, the value attributed to properties could be materially different.

**FOSTERVILLE SOUTH EXPLORATION LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the six months ended June 30, 2022  
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**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (cont'd...)**

**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 payment*

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.

**5. EQUIPMENT**

	Vehicles	Equipment	Right of Use Asset (lease)	Total
<b>Cost</b>				
Balance at December 31, 2020	\$ 100,934	\$ 393,062	\$ 62,244	\$ 556,240
Additions	124,975	87,858	-	212,833
Disposals/ derecognition	-	(233,996)	(59,608)	(293,604)
Foreign exchange	(9,298)	(21,865)	(2,636)	(33,799)
Balance at December 31, 2021	216,611	225,059	-	441,670
Additions	-	18,700	-	18,700
Foreign exchange	(7,366)	(8,171)	-	(15,537)
<b>Balance at June 30, 2022</b>	<b>\$ 09,245</b>	<b>\$ 235,588</b>	<b>\$ -</b>	<b>\$ 444,833</b>
<b>Accumulated depreciation</b>				
Balance at December 31, 2020	\$ 15,260	\$ 74,778	\$ 14,259	\$ 104,297
Depreciation	45,606	115,700	11,172	172,478
Disposals/ derecognition	-	(101,895)	(24,827)	(126,722)
Foreign exchange	(2,011)	(5,102)	(604)	(7,717)
Balance at December 31, 2021	58,855	83,481	-	142,336
Depreciation	15,672	37,091	-	52,763
Foreign exchange	(2,434)	(3,866)	-	(6,300)
<b>Balance at June 30, 2022</b>	<b>\$ 72,093</b>	<b>\$ 116,706</b>	<b>\$ -</b>	<b>\$ 188,799</b>
<b>Carrying amount</b>				
As at December 31, 2021	\$ 157,756	\$ 141,578	\$ -	\$ 299,334
<b>As at June 30, 2022</b>	<b>\$ 137,152</b>	<b>\$ 118,882</b>	<b>\$ -</b>	<b>\$ 256,034</b>

## **FOSTERVILLE SOUTH EXPLORATION LTD.**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended June 30, 2022

(Expressed in Canadian Dollars - Unaudited)

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#### **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 agreed to pay 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 southeast area of Australia.

##### **Moormbool**

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 Moormbool project, the Timor project, and the Avoca 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 consequently 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, or Leviathan Gold Ltd., 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"). The Resource Payment and the Commercial Production Payment will be payable by the first company to trigger the payment requirement.

The Company also entered into a separate agreement with FliteGold Pty. Ltd. ("FliteGold"), an entity controlled by Mr. Rex Motton, a director of the Company, that held a royalty over the Avoca project. The Company issued 225,000 shares valued at \$333,000 to FliteGold and, in consideration of which, FliteGold terminated its royalty on the Avoca project.

##### **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"), whereby it will acquire the 36-square-kilometre Beechworth gold project in Victoria, Australia, held within EL4697 and RLA006013 by Northern Mine.

Pursuant to the terms of a purchase 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 six months ended June 30, 2022

(Expressed in Canadian Dollars - Unaudited)

**6. EXPLORATION AND EVALUATION ASSETS (cont'd...)****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, 2022 and December 31, 2021:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
<b>Balance, beginning of period</b>	\$ 833,627	\$ 847,710
Foreign exchange	(6,998)	(14,083)
<b>Balance, end of period</b>	<b>\$ 826,629</b>	<b>\$ 833,627</b>

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
	<b>\$ 364,553</b>	<b>\$ 592,831</b>	<b>\$ 131,919</b>	<b>\$1,066,456</b>	<b>\$354,408</b>	<b>\$ 253,936</b>	<b>\$2,764,103</b>

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

For the six months ended June 30, 2022

(Expressed in Canadian Dollars - Unaudited)

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

During the six months ended June 30, 2021, the Company incurred exploration costs as follows:

<i>Exploration Expenditures</i>	Golden Mountain Project	Lauriston Project	Other Projects	Total
Assay	\$ 29,073	\$ 33,636	\$ 28,989	\$ 91,698
Data compilation	16,467	8,447	23,396	48,310
Drilling	264,380	418,751	251,969	935,100
Equipment rental	4,845	3,208	40,725	48,778
Field expenditures	43,696	9,656	47,315	100,667
Geological consulting	54,915	34,748	269,659	359,322
Geophysics	6,960	86,307	100,346	193,613
Project administration	1,227	556	37,293	39,076
Salaries and wages	17,753	101,445	432,308	551,506
Sampling	7,113	1,480	10,966	19,559
Tenement administration & fees	21,695	19,993	120,733	162,421
Travel	10,271	624	30,014	40,909
	<u>\$ 478,395</u>	<u>\$ 718,851</u>	<u>\$1,393,713</u>	<u>\$2,590,959</u>

Under Australian mining laws, the Company is required to incur AUD\$15,000 plus AUD \$150 per km2 in first year, AUD \$200 per km2 for each of second, third and fourth year and AUD \$300 per km2 for each year thereafter. The expenditure commitment per km2 increases over time but is offset by forced tenement area reductions on the second and fourth anniversary of 25% and 40% respectively.

Pursuant to the Australian mineral rights regulations, the Company is required to incur annual minimum exploration expenditures to maintain the exploration licenses. 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\$481,890 in 2022, AUD\$1,091,200 in 2023, AUD\$1,154,695 in 2024, AUD\$1,032,990 in 2025, and AUD\$1,019,410 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 CAD\$68,241);
- AUD\$75,000 by August 8, 2020 (paid CAD\$71,702);
- AUD\$75,000 by August 8, 2021 (paid CAD\$68,862); and
- AUD\$75,000 by August 8, 2022 (paid subsequently).

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:

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

For the six months ended June 30, 2022

(Expressed in Canadian Dollars - Unaudited)

**7. DEFERRED ACQUISITION PAYMENTS (cont'd...)**

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
Balance, beginning of period	\$ 61,855	\$ 121,162
Accretion expense	5,799	17,897
Payments	-	(68,862)
Foreign exchange	20	(8,342)
Balance, end of period	\$ 67,674	\$ 61,855

**8. LEASE LIABILITY**

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
	<b>\$</b>	<b>\$</b>
Balance, beginning of the period	-	50,726
Lease payments	-	(13,167)
Accrued finance expense	-	2,979
Foreign exchange	-	(5,757)
Termination of lease	-	(34,781)
Balance, end of the period	-	-

During the year ended December 31, 2020, the Company leased a storage warehouse in Bendigo, Australia. The lease term has been estimated at 4 years, which includes a 2-year optional extension. The lease liability was discounted at a rate of 9%. During the year ended December 31, 2021 the Company terminated the lease.

**9. SHARE CAPITAL****Authorized**

Unlimited common shares without par value.

**Escrowed shares**

As at June 30, 2022, the Company had 5,850,000 common shares subject to escrow release restrictions, of which 2,925,000 common shares will be released on each of the following dates: October 14, 2022, and April 14, 2023.

**Share issuances:**

The Company received \$128,400 from the exercise of 321,000 stock options during the period ended June 30, 2022.

The Company did not issue any shares during the year ended December 31, 2021.

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

During the period ended June 30, 2022 the Company granted nil (2021 – 3,600,000) stock options exercisable at \$nil (2021 – \$1.57) per option. During the period ended June 30, 2022 the Company recorded \$24,962 (2021 - \$3,685,788) of share-based payments expense related to past stock options granted and vested.

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

	Stock Options		Warrants	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Balance, December 31, 2020	2,475,000	\$ 0.40	3,737,063	\$ 2.68
Granted	3,600,000	1.57	-	-
Balance, December 31, 2021	6,075,000	1.09	3,737,063	2.68
Exercised	(321,000)	0.40	-	-
Expired	-	-	(2,639,345)	1.72
Balance, June 30, 2022	5,754,000	\$ 1.13	1,097,718	\$ 4.84

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

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

The balance of stock options and share purchase warrants outstanding as at June 30, 2022 was as follows:

<b>Expiry Date</b>	<b>Number</b>	<b>Exercise Price</b>	<b>Remaining Life (Years)</b>
<b>Stock options</b>			
April 14, 2025	2,154,000	\$ 0.40	2.79
April 19, 2026	3,600,000	1.57	3.81
<b>Warrants</b>			
July 21, 2022*	121,468	4.00	0.06
July 21, 2022*	976,250	4.95	0.06

\*expired unexercised subsequent to June 30, 2022

**10. 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, 2022.

**11. FINANCIAL INSTRUMENTS**

For financial instruments held by the Company, management classifies cash as FVTPL, and accounts payable and accrued liabilities, loans from related parties, Subscription Receipts, 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:

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

**a) Fair value of financial instruments (cont'd...)**

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, 2022, the Company believes that the carrying values of 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, 2022. The fair value of cash is based on level 1 inputs of the fair value hierarchy.

**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 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, 2022 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	\$ 348,815	\$ -	\$ -	\$ 348,815
Deferred acquisition payments	67,674	-	-	67,674
<b>Total</b>	<b>\$ 416,489</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 416,489</b>

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

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

*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.

**12. RELATED PARTY TRANSACTIONS**

Key management compensation consists of the Chairman, 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 periods ended June 30, 2022 and December 31, 2021 as follows:

	<b>June 30, 2022</b>	<b>June 30, 2021</b>
Directors' fees	\$ 36,000	\$ 36,000
Management fees	162,000	270,000
Exploration related and Geological consulting fees	220,431	239,131
Professional fees	101,322	137,283
Rent	30,000	-
Share-based payments	-	2,300,396
	<b>\$ 549,753</b>	<b>\$ 2,982,810</b>

As at June 30, 2022, \$65,239 (December 31, 2021 - \$181,739) 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.

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

There were no material non-cash transactions during the periods ended June 30, 2022 and June 30, 2021.