

Kraken Energy Corp.

**Condensed Consolidated Interim Financial Statements
For the Three and Nine Months Ended March 31, 2023 and 2022**

(Expressed in Canadian Dollars)

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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 financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Kraken Energy Corp.
Condensed Consolidated Interim Statements of Financial Position
As at March 31, 2023
(Unaudited - Expressed in Canadian Dollars)

	Notes	March 31, 2023	June 30, 2022
ASSETS			
Current Assets			
Cash and cash equivalents	4	\$ 6,729,191	\$ 12,110,248
Prepaid expenses		426,914	405,240
Interest receivable		116,078	15,189
Loan advanced to related party	8	34,375	-
Receivables		13,448	32,905
		7,320,006	12,563,582
Non-Current Assets			
Exploration and evaluation assets	6	20,513,264	20,133,996
TOTAL ASSETS		\$ 27,833,270	\$ 32,697,578
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 715,170	\$ 376,359
Loans payable		-	2,900
TOTAL LIABILITIES		715,170	379,259
SHAREHOLDERS' EQUITY			
Share capital	7	41,349,416	41,312,416
Reserve	7	4,050,561	3,323,607
Accumulated other comprehensive income	7	5,222	3,412
Deficit		(18,287,099)	(12,321,116)
TOTAL SHAREHOLDERS' EQUITY		27,118,100	32,318,319
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 27,833,270	\$ 32,697,578

Nature and continuance of operations (Note 1)
Subsequent events (Note 12)

"Garrett Ainsworth"

Garrett Ainsworth,
Director

"Matthew Schwab"

Matthew Schwab,
Director

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

Kraken Energy Corp.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the Three and Nine Months Ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

	Notes	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
		<u>March 31,</u> <u>2023</u>	<u>March 31, 2022</u> <u>(Restated –</u> <u>Note 3)</u>	<u>March 31,</u> <u>2023</u>	<u>March 31, 2022</u> <u>(Restated –</u> <u>Note 3)</u>
Expenses					
Exploration expenditures	6	\$ 2,549,664	\$ 47,865	\$ 3,947,469	\$ 47,865
Office and miscellaneous	8	66,856	2,336	217,091	11,137
Management fees	8	151,273	8,095	321,474	34,095
Professional fees	8	33,192	98,141	303,630	113,950
Marketing and shareholder relations		258,875	50,655	575,230	50,655
Stock-based compensation	8	-	836,000	1,093,000	836,000
Transfer agent fees		25,505	4,216	31,042	8,662
		(3,085,365)	(1,047,308)	(6,488,936)	(1,102,364)
Other items					
Loss from revaluation of share obligation	5	-	(5,892,136)	-	(5,892,136)
Interest income		66,900	-	156,907	-
Net loss		\$ (3,018,465)	\$ (6,939,444)	\$ (6,332,029)	\$ (6,994,500)
Other comprehensive (loss) income					
Translation adjustment		(14,516)	-	1,810	-
Comprehensive loss		\$ (3,032,981)	\$ (6,939,444)	\$ (6,330,219)	\$ (6,994,500)
Loss per share – basic and diluted		\$ (0.06)	\$ (0.46)	\$ (0.12)	\$ (0.55)
Weighted average number of common shares		54,197,091	14,926,000	54,189,244	12,813,358

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

Kraken Energy Corp.

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity

For the Nine Months Ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

	Notes	Share capital		Reserves	Accumulated other comprehensive income	Deficit	Total
		Number	Amount				
Balance at June 30, 2021 (Restated – Note 3)		11,780,000	\$ 499,307	\$ 23,693	\$ -	\$ (432,990)	\$ 90,010
Shares issued for acquisition of subsidiary		5,000,000	1,900,000	-	-	-	1,900,000
Shares issued for cash		7,138,570	2,498,500	-	-	-	2,498,500
Share issuance costs		-	(23,970)	-	-	-	(23,970)
Shares issued from exercise of warrants		320,000	55,693	(23,693)	-	-	32,000
Share-based payments		-	-	836,000	-	-	836,000
Loss for the period		-	-	-	-	(6,994,500)	(6,994,500)
Balance at March 31, 2022		24,238,570	\$ 4,929,530	\$ 836,000	\$ -	\$ (7,427,490)	\$ (1,661,960)
Balance at June 30, 2022		54,147,091	\$ 41,312,416	\$ 3,323,607	\$ 3,412	\$ (12,321,116)	\$ 32,318,319
Shares issued for acquisition of Garfield Hills Property	6,7	50,000	37,000	-	-	-	37,000
Stock-based compensation	7	-	-	1,093,000	-	-	1,093,000
Fair value of expired options	7	-	-	(366,046)	-	366,046	-
Foreign exchange translation from subsidiary	7	-	-	-	1,810	-	1,810
Loss for the period		-	-	-	-	(6,332,029)	(6,332,029)
Balance at March 31, 2023		54,197,091	\$ 41,349,416	\$ 4,050,561	\$ 5,222	\$ (18,287,099)	\$ 27,118,100

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

Kraken Energy Corp.

Condensed Consolidated Interim Statements of Cash Flows

For the Nine Months Ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

	Nine Months Ended March 31, 2023	Nine Months Ended March 31, 2022 (Restated – Note 3)
Operating activities:		
Loss for the period	\$ (6,332,029)	\$ (6,994,500)
Item not involving cash:		
Stock-based compensation	1,093,000	836,000
Loss from revaluation of share obligation	-	5,892,136
Changes in non-cash working capital items:		
Receivables and prepaid expenses	(156,077)	(369,365)
Accounts payable and accrued liabilities	328,420	355,801
Loans payable	(2,900)	-
Net cash flows used in operating activities	(5,069,586)	(279,928)
Investing activities:		
Exploration and evaluation assets	(333,114)	-
Net cash flows used in investing activities	(333,114)	-
Financing activities:		
Interest received from GIC	56,018	-
Proceeds from issuance of common shares	-	2,498,500
Share issuance costs	-	(1,549)
Proceeds from exercise of stock options	-	32,000
Cash acquired from acquisition of subsidiary	-	73,410
Loans advanced to related parties	(34,375)	50,000
Net cash flows provided by financing activities	21,643	2,652,361
Change in cash and cash equivalents	(5,381,057)	2,372,433
Cash and cash equivalents, beginning	12,110,248	136,667
Cash and cash equivalents, ending	\$ 6,729,191	\$ 2,509,100
Cash and cash equivalents consist of:		
Cash	\$ 229,191	\$ 2,509,100
Cash held in GIC	6,500,000	-
Cash and cash equivalents, ending	\$ 6,729,191	\$ 2,509,100
Supplemental non-cash activities:		
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -
Shares issued per Garfield Hills option agreement	\$ 37,000	\$ -
Shares issued for acquisition of subsidiary	\$ -	\$ 1,900,000

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

Kraken Energy Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

1. Nature and continuance of operations

Kraken Energy Corp. (the “Company” or “Kraken Energy”) was incorporated on July 4, 2011, under the Canada Business Corporations Act. The Company is a resource exploration company that is acquiring and exploring mineral properties. The Company’s common shares began trading on the Canadian Securities Exchange under the stock symbol “UUSA” on May 11, 2022.

The head office, principal address, records office, and registered address of the Company are located at Suite 918 – 1030 West Georgia Street, Vancouver, British Columbia V6E 2Y3.

These condensed consolidated interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. At March 31, 2023, the Company had not yet achieved profitable operations and had accumulated losses of \$18,287,099 (June 30, 2022 – \$12,321,116) since its inception. Management estimates that the Company has sufficient financial resources to carry out currently planned exploration and operations through the next twelve months.

Although the Company has been successful in the past in obtaining financing, there can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations, and exploration and development activities. These condensed consolidated interim financial statements do not give effect to adjustments, which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the condensed consolidated interim financial statements.

2. Significant accounting policies and basis of preparation

These condensed consolidated interim financial statements were authorized for issue by the directors of the Company on May 23, 2023.

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee. The accounting policies and methods of computation applied by the Company in these condensed consolidated interim financial statements are the same as those applied in the Company’s annual audited consolidated financial statements as at and for the year ended June 30, 2022.

The condensed consolidated interim financial statements do not include all of the information and note disclosures required for full annual consolidated financial statements and should be read in conjunction with the Company’s annual audited consolidated financial statements as at and for the year ended June 30, 2022.

Kraken Energy Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

2. Significant accounting policies and basis of preparation (continued)

Basis of presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for some financial instruments classified in accordance with measurements standards under IFRS. These condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise specified. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Consolidation

The condensed consolidated interim financial statements include the accounts of the Company and its controlled subsidiaries. Details of controlled subsidiaries are as follows:

On March 23, 2022, the Company incorporated a private company, Kraken Nevada, a 100% owned subsidiary incorporated in Nevada, United States.

On May 27, 2022, the Company acquired all of the shares of Panerai and its 100% owned subsidiary, Panerai USA (Note 5).

On April 8, 2022, the Company acquired all of the shares of 1330038 B.C. Ltd. ("133 B.C."), a private company (Note 5). On November 14, 2022, the Company completed a voluntary dissolution of 133 B.C.

Use of estimates and judgements

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Although management uses historical experience and its best knowledge of the amount, events, or actions to form the basis for judgments and estimates, actual results may differ from these estimates. The most significant accounts that require estimates as the basis for determining the stated amounts include valuation of share-based payments and recognition of deferred income tax amounts and provision for restoration, rehabilitation and environmental costs.

Foreign currency translation

The functional currency of the Company is measured using the currency of the primary economic environment in which the Company operates. The functional currency of Kraken and Panerai are Canadian dollars and the functional currency of Kraken Nevada and Panerai USA are US dollars. These condensed consolidated interim financial statements are presented in Canadian dollars.

Exploration and evaluation assets

All expenditures on exploration and evaluation activities, excluding costs of acquiring prospective properties and exploration rights, are recorded as exploration expenses until it has been established that a mineral property is commercially viable and technically feasible.

Upcoming accounting pronouncements

The Company is not aware of any recent accounting pronouncements or upcoming standards expected to have a material impact on the condensed consolidated interim financial statements.

Kraken Energy Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

3. Change in accounting policy

During the year ended June 30, 2022, as permitted under IFRS 6, Exploration and Evaluation of Mineral Resources, the Company voluntarily changed its accounting policy of capitalizing exploration and evaluation expenditures. The Company believes that expensing such costs as incurred provides more reliable and relevant financial information. Cost of exploration and evaluation expenditures, excluding the cost of acquiring prospective properties and exploration rights, are expensed until it has been established that a mineral property is commercially viable. Previously, the Company capitalized these amounts. The interim financial statements for the three and nine months ended March 31, 2022 have been restated to reflect adjustments made as a result of this change in accounting policy.

The following is a reconciliation of the prior periods presented from the previously reported amounts to the restated amounts are as follows:

Consolidated Statement of Changes in Shareholders' Equity as of June 30, 2021:

	As previously reported	Adjustment	Restated under new policy
Shareholders' equity			
Deficit	\$ (262,412)	\$ (170,578)	\$ (432,990)
Total shareholders' equity	\$ 260,588	\$ (170,578)	\$ 90,010

Consolidated Interim Statement of Loss and Comprehensive Loss for the nine-months ended March 31, 2023:

	As previously reported	Adjustment	Restated under new policy
Expenses			
Exploration expenditures	\$ -	\$ 47,865	\$ 47,865
Total expenses	(1,054,499)	(47,865)	(1,102,364)
Net and comprehensive loss	\$ (6,946,635)	\$ (47,865)	\$ (6,994,500)
Loss per share – basic and diluted	\$ (0.54)	\$ (0.01)	\$ (0.55)

Consolidated Interim Statement of Cash Flows for the nine-months ended March 31, 2023:

	As previously reported	Adjustment	Restated under new policy
Operating activities			
Loss for the period	\$ (6,946,635)	\$ (47,865)	\$ (6,994,500)
Accounts payable and accrued liabilities	335,408	20,393	355,801
Net cash flows used in operating activities	(252,456)	(27,472)	(279,928)
Investing activities			
Exploration and evaluation assets	(27,472)	27,472	-
Net cash flows used in investing activities	-	-	-
Change in cash and cash equivalents	\$ -	\$ -	\$ -

Kraken Energy Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

4. Cash and cash equivalents

	March 31, 2023	June 30, 2022
Cash	\$ 229,191	\$ 1,110,248
Cash held in GIC	6,500,000	11,000,000
Total	\$ 6,729,191	\$ 12,110,248

5. Acquisitions**Acquisition of 133 B.C.**

On February 24, 2022, the Company closed a share exchange agreement to acquire 100% interest in a non-arm's length private company, 133 B.C., which holds the right to acquire 100% of the Apex Property ("Apex Property") in Nevada, United States, for total consideration as follows:

- Issuance of 5,000,000 common shares of the Company with a fair value of \$1,900,000 (Note 7) (issued).
- Pursuant to the Apex Property sale and purchase agreement between 133 B.C. and the property vendors, the issuance of the Company's common shares to the property vendors that is equal to 29.7% of the issued and outstanding common shares upon completion of an equity financing of the Company for minimum gross proceeds of \$2,000,000.
- At the date of acquisition, the Company calculated 6,546,818 common shares of the Company as the potential number of shares to be issued to the property vendors at with a fair value of \$2,487,791 based on the trading price of the Company's shares of \$0.38 per share. Upon issuance of the shares to the property vendors, the Company acquired 100% interest in the Apex Property.

At acquisition date, the Company determined that the acquisition of 133 B.C. did not constitute a business as defined under IFRS 3, "Business Combination", and the transaction was accounted for as an asset acquisition. The assets and liabilities were measured at their fair values at the acquisition date and the excess of the consideration paid over the fair value of net assets was attributed to the exploration and evaluation asset.

The acquisition was recorded as follows:

Fair value of shares issued to acquire 133 B.C.	\$ 1,900,000
Fair value of shares to be issued to property vendors	2,487,791
Total consideration	\$ 4,387,791
Allocated to:	
Cash and cash equivalents	\$ 73,410
Prepays	12,136
Exploration and evaluation asset (Note 5)	4,410,199
Accounts payable and accrued liabilities	(107,954)
	\$ 4,387,791

On April 8, 2022, the Company issued 7,198,855 common shares, which represented 29.7% of the issued and outstanding shares, with a fair value of \$12,022,088. No transaction costs were incurred. As at March 31, 2022, the fair value of the common shares was \$8,379,927, resulting in the loss from revaluation of share obligation of \$5,892,136. On November 14, 2022, 133 B.C. was voluntarily dissolved.

Kraken Energy Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

5. Acquisitions (continued)

Acquisition of Panerai Capital Corp.

On May 24, 2022, the Company entered into a non-arm's length share exchange agreement to acquire 100% interest in Panerai. Panerai has a wholly owned subsidiary, Panerai USA, which holds a 100% interest in various lode mining claims in Lander County, Nevada surrounding the Apex Property. The claims acquired from Panerai will form part of the Apex Property. 11,709,666 common shares of the Company were issued as consideration with a fair value of \$16,042,242.

At the acquisition closing date on May 27, 2022, the Company determined that the acquisition of Panerai did not constitute a business as defined under IFRS 3, "Business Combination", and the transaction was accounted for as an asset acquisition. The assets and liabilities were measured at their fair values at the acquisition date and the excess of the consideration paid over the fair value of net assets was attributed to the exploration and evaluation asset. No transaction costs were incurred.

The acquisition was recorded as follows:

Fair value of shares issued to acquire Panerai	\$	16,042,242
Allocated to:		
Cash and cash equivalents	\$	450,352
Exploration and evaluation asset (Note 6)		15,625,129
Loan payable		(2,900)
Accounts payable and accrued liabilities		(30,339)
		<u>16,042,242</u>

Kraken Energy Corp.

Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended March 31, 2023 and 2022
(Unaudited - Expressed in Canadian Dollars)

6. Exploration and evaluation assets

The following summarizes the cumulative costs capitalized as exploration and evaluation assets as at March 31, 2023:

	Ultimate Property	Apex Property	Garfield Property	Huber Hills Property	Total
Property Acquisition Costs					
Balance, June 30, 2021	\$ 8,000	\$ -	\$ -	\$ -	\$ 8,000
Acquisitions – shares	-	19,971,358	-	-	19,971,358
Acquisitions – cash	-	63,970	-	-	63,970
Claims and bond fees	-	98,668	-	-	98,668
Write-off	(8,000)	-	-	-	(8,000)
Balance, June 30, 2022	\$ -	\$ 20,133,996	\$ -	\$ -	\$ 20,133,996
Acquisitions – shares	-	-	37,000	-	37,000
Acquisitions – cash	-	-	27,066	-	27,066
Claims and bond fees	-	168,154	56,644	90,404	315,202
Balance, March 31, 2023	\$ -	\$ 20,302,150	\$ 120,710	\$ 90,404	\$ 20,513,264

The following summarizes exploration and evaluation expenses incurred during the nine months ended March 31, 2022 and 2023:

	Apex Property	Garfield Property	Huber Hills Property	Total
Exploration and evaluation costs				
Costs incurred during the period ended March 31, 2022:				
Assay and analysis	\$ 13,418	\$ -	\$ -	\$ 13,418
Equipment rental	12,716	-	-	12,716
Geological consulting	13,000	-	-	13,000
Transportation	8,731	-	-	8,731
Balance, March 31, 2022	47,865	-	-	47,865
Costs incurred during the period ended March 31, 2023:				
Assay and analysis	-	9,787	-	9,787
Camp and crew costs	-	10,042	-	10,042
Equipment rental	52,910	74,711	-	127,621
General consulting	27,008	2,074	-	29,082
Engineering exploration	6,152	388,001	-	394,153
Geological consulting	102,725	380,374	-	483,099
Mapping	8,835	-	-	8,835
Permits	-	42,655	-	42,655
Surveying	727,682	100,497	-	828,179
Drilling	-	2,014,016	-	2,014,016
Balance, March 31, 2023	\$ 925,312	\$ 3,022,157	\$ -	\$ 3,947,469

Apex Property

On April 8, 2022, the Company closed the share exchange agreement to acquire 100% interest in a private company, 133 B.C., which signed an option agreement with certain vendor holders for the right to purchase 100% of the Apex Property (Note 5). The Apex Property remains subject to a 3% net smelter return royalty in favour of the property vendors.

Kraken Energy Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

6. Exploration and evaluation assets (continued)

Apex Property (continued)

On January 31, 2022, 133 B.C. entered into sale and purchase agreement between 133 B.C. and the property vendors to acquire the Apex Property in Nevada, United States for total consideration as follows:

- Payment of \$50,000 USD to the property vendors (paid on April 8, 2022).
- Consideration shares to be issued to the property vendors that is equal to 29.7% of the issued and outstanding shares of 133 B.C. or a listed company that is a reporting issuer in Canada, upon completion of an equity financing of the for minimum gross proceeds of \$2,000,000. As part of the share exchange agreement, the Company assumed the obligation to issue 29.7% of its issued and outstanding shares to the property vendors (issued April 8, 2022). As at that date, the Company had acquired 100% interest in the Apex Property.

On May 27, 2022, the Company closed the share exchange agreement to acquire 100% interest in Panerai. Panerai has a wholly owned subsidiary, Panerai USA, which holds a 100% interest in lode mining claims in Lander County, Nevada surrounding the past-producing Apex uranium mine. The additional claims acquired now form part of the Apex Property.

As at March 31, 2023, the balance in exploration and evaluation assets related to the Apex Property was \$20,302,150 (June 30, 2022 – \$20,133,996). \$15,625,129 (June 30, 2022 – \$15,625,129) of the balance relates to Panerai's Apex claims.

Garfield Hills Uranium Property Option Agreement (“Garfield Hills Property”)

On August 9, 2022, the Company entered into an option agreement between the Company and Robert Weicker, pursuant to which the Company, through its wholly owned subsidiary Kraken Nevada holds an option to acquire 100% of certain mining claims, including those encompassing the Garfield Hills Property, located east of Hawthorne, Nevada (Note 6). Pursuant to the option agreement, Kraken may acquire a 100% interest in the Garfield Hills Property upon the following principal terms:

- a. Kraken will spend at least US\$50,000 in exploration expenditures on the property within the first year
- b. Kraken will make cash payments totaling US\$150,000 over a three-year period as follows:
 - US\$20,000 upon signing the option agreement (paid);
 - US\$30,000 in the first year;
 - US\$50,000 in the second year; and
 - US\$50,000 in the third year
- c. Kraken will issue 250,000 common shares in the Company over a three-year period as follows:
 - 50,000 upon signing the option agreement (issued at fair value of \$37,000) (Note 6);
 - 50,000 in the first year;
 - 75,000 in the second year; and
 - 75,000 in the third year
- d. Kraken will grant a production royalty equal to 2.0% of the net smelter returns (“NSR”) from the property. The Company may, at any time, repurchase 50% of the NSR royalty for a one-time payment of US\$250,000 by Kraken to the optionor.

On November 8, 2022, the Company terminated the Garfield Hills Property option agreement dated August 9, 2022 with Robert Weicker and entered into an option agreement with Nicholas Weicker. The terms in the new option agreement remain the same as the agreement dated August 9, 2022.

As at March 31, 2023, the balance in exploration and evaluation assets related to the Garfield Hills Property was \$120,710 (June 30, 2022 – \$Nil).

Kraken Energy Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

6. Exploration and evaluation assets (continued)

Huber Hills Property

During the period ended March 31, 2023, the Company began staking claims encompassing the Huber Hills Uranium project ("Huber Hills"). Huber Hills is located within Elko County, in Nevada, USA.

As at March 31, 2023, the balance in exploration and evaluation assets related to Huber Hills was \$90,404 (June 30, 2022 - \$Nil).

Ultimate Property

In 2012, the Company purchased the Ultimate property ("Ultimate Property") for \$8,000. The Ultimate Property is located in British Columbia. The Company has no plans to continue work on the property and therefore the property was written off as at June 30, 2022.

7. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At March 31, 2023, there were 54,197,091 (June 30, 2022 – 54,147,091) issued and fully paid common shares. At March 31, 2023, of the common shares outstanding, there were 1,017,000 (June 30, 2022 – 2,034,000) common shares held in escrow, which will be released on June 30, 2023.

For the nine months ended March 31, 2023

During the nine months ended March 31, 2023, the Company issued 50,000 common shares at \$0.74 per share for gross proceeds of \$37,000 to Robert Weicker, pursuant to the Garfield Hills Property option agreement (Note 6). The Company recorded share issuance costs of \$150 in connection with this transaction.

For the nine months ended March 31, 2022

At March 31, 2022, there were 24,238,570 (June 30, 2021 – 11,780,000) issued and fully paid common shares.

On February 24, 2022, the Company entered into a share exchange agreement to acquire 100% interest in a private company, 133 B.C through the issuance of 5,000,000 common shares of the Company with a fair value of \$1,900,000 (Note 5).

On March 21, 2022, the Company closed a non-brokered private placement by issuing 7,138,570 common shares of the Company at \$0.35 per share for gross proceeds of \$2,498,500. The Company recorded share issuance costs of \$23,970 in connection with the private placement.

Stock options

The Company has a rolling stock option plan, which authorizes the Board of Directors to grant options to directors, officers, employees, and consultants to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option may not be less than market price of the Company's stock calculated on the date of the grant less the applicable discount. The options can be granted for a maximum term of 5 years.

The Company's stock option plan contains no vesting requirements but permits the Board of Directors to specify a vesting schedule at its discretion.

Kraken Energy Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

7. Share capital (continued)**Stock options** (continued)

A summary of the continuity of the Company's stock options is as follows:

	March 31, 2023		March 31, 2022	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning	1,650,000	\$ 0.94	-	\$ -
Granted	2,475,000	\$ 1.00	1,240,000	0.83
Expired	(500,000)	\$ 0.90	-	-
Outstanding and exercisable, ending	3,625,000	\$ 0.99	1,240,000	\$ 0.83

The 500,000 expired options had a fair value of \$366,046 which was reclassified to deficit during the period.

Stock options outstanding and exercisable as at March 31, 2023 are as follows:

Expiry date	Options outstanding	Options exercisable	Exercise price	Remaining contractual life (in years)
March 3, 2027	165,000	165,000	\$ 0.38	3.93
March 24, 2027	575,000	575,000	\$ 0.90	3.98
April 25, 2027	10,000	10,000	\$ 1.74	4.07
June 9, 2027	400,000	400,000	\$ 1.27	4.19
October 11, 2027	2,475,000	2,475,000	\$ 1.00	4.53

During the period ended March 31, 2023, the Company granted 2,475,000 (March 31, 2022 – 1,240,000) stock options pursuant to the Company's stock option plan to certain directors, officers, and consultants, and recorded stock-based payments of \$1,093,000 (March 31, 2022 – \$836,000).

The fair value of stock options was determined using the Black-Scholes option pricing model with the following weighted average assumptions:

Weighted average assumptions	March 31, 2023
Risk-free interest rate	3.54%
Stock price	\$0.59
Expected life	5 years
Estimated volatility	112%
Dividend rate	n/a

Kraken Energy Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

7. Share capital (continued)**Warrants (continued)**

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

	<u>March 31, 2023</u>		<u>March 31, 2022</u>	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of period	6,055,450	\$ 1.85	320,000	\$ 0.10
Granted	-	-	-	-
Outstanding, end of period	6,055,450	\$ 1.85	320,000	\$ 0.10

Warrants outstanding and exercisable as at March 31, 2023 are as follows:

<u>Expiry date</u>	<u>Fair value of warrants</u>	<u>Warrants exercisable</u>	<u>Exercise price</u>	<u>Remaining contractual life (in years)</u>
April 22, 2023	\$ 3,527,000	5,500,000	\$ 1.85	0.06
April 22, 2023	356,000	555,450	\$ 1.85	0.06
Balance, March 31, 2023	\$ 3,883,000	6,055,450	\$ 1.85	0.06

During the period ended March 31, 2023, no warrants were exercised or granted.

8. Related party transactions

Related parties include the Board of Directors, Executive Officers, and any companies owned or controlled by them.

Key management personnel consist of current and former directors and senior management including the Chief Executive Officer, Chief Financial Officer, Corporate Secretary, former Chief Executive Officer, and former Chief Financial Officer. Key management personnel compensation includes:

	<u>Nine months ended</u>	
	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Share-based compensation	\$ 728,667	\$ 549,070
Office and miscellaneous ⁽¹⁾	-	18,000
Management fees ⁽¹⁾	321,474	34,095
Professional fees ⁽¹⁾	40,598	20,605
	\$ 1,090,739	\$ 621,770

Note (1): Amounts include amounts incurred by former directors and officers of the Company, who resigned during the year ended June 30, 2022.

As at March 31, 2023, accounts payable and accrued liabilities include \$10,000 owing to related parties (June 30, 2022 – \$123,951). Amounts due to the related party are unsecured, non-interest bearing and have no specified terms of repayment.

Kraken Energy Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

8. Related party transactions (continued)

During the period ended March 31, 2023, the Company entered into a short-term loan agreement and advanced \$34,375 to a director and officer of the Company (March 31, 2022 – \$Nil). The loan advanced to the related party is unsecured and non-interest bearing.

9. Capital disclosures

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

The Company depends on external financing to fund its activities. The capital structure of the Company currently consists of equity comprised of share capital, reserves, and deficit. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets, being mineral properties. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, or sell assets to fund operations. Management reviews its capital management approach on a regular basis. The Company is not subject to externally imposed capital requirements. The Company invests capital that is surplus to its immediate operational needs in short-term, liquid and highly-rated financial instruments, such as cash and other demand deposits, all held with major financial institutions.

10. Financial instruments

Categories of financial instruments and fair value measurements

The Company's financial assets and liabilities are classified as follows:

	March 31, 2023	June 30, 2022
Financial assets:		
<i>Fair value through profit or loss</i>		
Cash and cash equivalents	\$ 6,729,191	\$ 12,110,248
Interest receivable	116,078	15,189
Loan advanced to related party	34,375	-
Receivables	13,448	32,905
Financial liabilities:		
<i>Amortized cost</i>		
Accounts payable and accrued liabilities	\$ 715,170	\$ 376,359
Loans payable	-	2,900

The loan advanced to a related party and accounts payable and accrued liabilities include amounts due from and due to related parties (Note 8).

The fair value of cash and cash equivalents, interest receivable, loan advanced to related party, other receivables, accounts payables and accrued liabilities, and loans payable approximates their carrying value due to their short-term maturity.

Financial risk factors

The Company is exposed in varying degrees to a variety of financial instrument-related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Kraken Energy Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

10. Financial instruments (continued)

Financial risk factors (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date. The Company's cash and cash equivalents are held in a large Canadian financial institution. The Company has not experienced nor is exposed to any significant credit losses. As a result, the Company's exposure to credit risk is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. As at March 31, 2023, the Company had a cash and cash equivalents balance of \$6,729,191 (June 30, 2022 – \$12,110,248) to settle current liabilities of \$715,170 (June 30, 2022 – \$379,259). Management believes that the Company has sufficient liquidity to satisfy obligations as they come due.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk.

Foreign exchange risk

Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to foreign currency exchange risk as some of its mining and exploration operations are transacted in currencies other than the functional currency of the Company.

Since the Company's reporting currency is Canadian dollars and the Company and its subsidiaries have significant operations in the United States, the Company is exposed to foreign currency fluctuations on its reported amounts of assets and liabilities.

As at March 31, 2023 and June 30, 2022, the Company had the following US dollar denominated assets and liabilities:

	March 31, 2023		June 30, 2022	
		US Dollars		US Dollars
Cash and cash equivalents	\$	521	\$	-
Prepays		108,942		37,342
Accrued liabilities		-		(43,060)
Accounts payable		(294,946)		-
	\$	(185,483)	\$	(5,718)

As at March 31, 2023, a 10% change in exchange rates between US dollars and Canadian dollars would impact the Company's net loss by \$354,766 (June 30, 2022 – (\$572)).

Kraken Energy Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended March 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

11. Segmented information

Operating segment

The Company's operates in a single reportable operating segment, being the acquisition of mineral properties and exploration for metals in North America.

Geographic segment

The Company's geographic information as at March 31, 2023 and June 30, 2022 are as follows:

	March 31, 2023		
	Canada	USA	Total
Assets			
Exploration and evaluation assets	\$ -	\$ 20,513,264	\$ 20,513,264
Other assets	\$ 7,320,006	\$ -	\$ 7,320,006
	\$ 7,320,006	\$ 20,513,264	\$ 27,833,270

	June 30, 2022		
	Canada	USA	Total
Assets			
Exploration and evaluation assets	\$ -	\$ 20,133,996	\$ 20,133,996
Other assets	\$ 12,563,582	\$ -	\$ 12,563,582
	\$ 12,563,582	\$ 20,133,996	\$ 32,697,578

12. Subsequent events

On April 3, 2023, the Company granted 375,000 stock options to officers of the Company at an exercise price of \$0.50, with expiry date of April 3, 2028, which vested immediately.

On May 23, 2023, the Company entered into a definitive option agreement (the "Agreement") to acquire up to a 75% interest in the Harts Point Uranium Property in San Juan County, southeast Utah ("Harts Point" or the "Property"). Under the terms of the Agreement, the Company may acquire up to 75% of the Harts Point Property from Atomic Minerals Corporation ("Atomic") by meeting the following requirements:

- Kraken will be the operator and must incur US\$1.5 million of eligible expenditures within 18 months from the date of the Option Agreement to earn a 65% interest.
- Kraken has the option to increase interest in the Property from 65% to 75% by incurring an additional US\$2.0 million of eligible expenditures within 30 months from the date of the Option Agreement and issuing Atomic 2,000,000 common shares of Kraken.
- Kraken will grant Atomic a 2.0% net smelter royalty (subject to a buy down to 1.0% for US\$5.0 million).
- After the initial option (Kraken 65%: Atomic 35%) or the extended option (Kraken 75%: Atomic 25%), a definitive Joint Venture Agreement will be formed.

In connection with the Agreement, the Company will be issuing 110,000 common shares as a finder's fee to a non-arms length party, as consideration for identifying the Harts Point Property and facilitating the completion of the transaction.