

Kraken Energy Corp.

**Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended December 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
(Unaudited - Expressed in Canadian Dollars)

		As at	
	Notes	December 31, 2023	June 30, 2023
ASSETS			
Current Assets			
Cash and cash equivalents	4	\$ 3,027,842	\$ 5,231,692
Prepaid expenses		608,653	563,530
Loan advanced to related party	7	16,500	34,375
GST receivable		25,477	7,766
		3,678,472	5,837,363
Non-Current Assets			
Exploration and evaluation assets	5	21,746,858	21,378,713
TOTAL ASSETS		\$ 25,425,330	\$ 27,216,076
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 906,129	\$ 192,545
TOTAL LIABILITIES		906,129	192,545
SHAREHOLDERS' EQUITY			
Share capital	6	41,394,516	41,380,766
Reserve	6	1,548,026	1,914,073
Accumulated other comprehensive income	6	722,978	733,096
Deficit		(19,146,319)	(17,004,404)
TOTAL SHAREHOLDERS' EQUITY		24,519,201	27,023,531
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 25,425,330	\$ 27,216,076

Nature and continuance of operations and going concern (Note 1)

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on February 22, 2024. They are signed by the Board of Directors by:

"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
(Unaudited - Expressed in Canadian Dollars)

		<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	Notes	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Expenses					
Exploration expenditures	5	\$ 1,161,334	\$ 924,398	\$ 1,584,757	\$ 1,397,805
Office and miscellaneous	7	129,395	72,864	232,713	150,235
Management fees	7	209,814	126,701	313,564	170,201
Professional fees	7	38,695	192,934	148,163	270,438
Marketing and shareholder relations		144,628	174,308	307,739	316,355
Stock-based compensation	7	-	1,093,000	-	1,093,000
Transfer agent fees		12,847	(3,239)	24,154	5,537
		(1,696,713)	(2,580,966)	(2,611,090)	(3,403,571)
Other items					
Interest income		46,001	63,829	103,128	90,007
Net loss		\$ (1,650,712)	\$ (2,517,137)	\$ (2,507,962)	\$ (3,313,564)
Other comprehensive (loss) income					
Translation adjustment		(490,657)	(14,285)	(10,118)	16,326
Comprehensive loss		\$ (2,141,369)	\$ (2,531,422)	\$ (2,518,080)	\$ (3,297,238)
Loss per share – basic and diluted		\$ (0.03)	\$ (0.05)	\$ (0.05)	\$ (0.06)
Weighted average number of common shares		54,357,091	54,197,091	54,345,678	54,185,406

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
(Unaudited - Expressed in Canadian Dollars)

		<u>Share capital</u>				Accumulated other comprehensive income		
	Notes	Number	Amount	Reserves			Deficit	Total
Balance at June 30, 2022		54,147,091	\$ 41,312,416	\$ 3,323,607	\$	3,412	\$ (12,321,116)	\$ 32,318,319
Shares issued from acquisition of Garfield Hills property	5,6	50,000	37,000	-		-	-	37,000
Stock-based compensation	6	-	-	1,093,000		-	-	1,093,000
Foreign exchange translation of subsidiary		-	-	-		16,326	-	16,326
Loss for the period		-	-	-		-	(3,313,564)	(3,313,564)
Balance at December 31, 2022		54,197,091	\$ 41,349,416	\$ 3,323,607	\$	19,738	\$ (15,634,680)	\$ 30,151,081
Balance at June 30, 2023		54,307,091	\$ 41,380,766	\$ 1,914,073	\$	733,096	\$ (17,004,404)	\$ 27,023,531
Shares issued for acquisition of Garfield Hills Property	5,6	50,000	13,750	-		-	-	13,750
Fair value of expired options	6	-	-	(366,047)		-	366,047	-
Foreign exchange translation of subsidiary		-	-	-		(10,118)	-	(10,118)
Loss for the period		-	-	-		-	(2,507,962)	(2,507,962)
Balance at December 31, 2023		54,357,091	\$ 41,394,516	\$ 1,548,026	\$	722,978	\$ (19,146,319)	\$ 24,519,201

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

Kraken Energy Corp.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited - Expressed in Canadian Dollars)

	Six Months Ended	
	December 31, 2023	December 31, 2022
Operating activities:		
Loss for the period	\$ (2,507,962)	\$ (3,313,564)
Item not involving cash:		
Stock-based compensation	-	1,093,000
Interest income	(103,128)	-
Changes in non-cash working capital items:		
Receivables and prepaid expenses	(63,104)	(584,895)
Accounts payable and accrued liabilities	731,459	181,950
Loans payable	-	(2,900)
Net cash flows used in operating activities	(1,942,735)	(2,626,409)
Investing activities:		
Exploration and evaluation assets	(364,243)	(272,138)
Net cash flows used in investing activities	(364,243)	(272,138)
Financing activities:		
Interest received from GIC	103,128	53,996
Loans advanced to related parties	-	(34,375)
Net cash flows provided by financing activities	103,128	19,621
Currency impact on cash	-	16,326
Change in cash and cash equivalents	(2,203,850)	(2,862,600)
Cash and cash equivalents, beginning	5,231,692	12,110,248
Cash and cash equivalents, ending	\$ 3,027,842	\$ 9,247,648
Supplemental non-cash activities:		
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -
Shares issued pursuant to Garfield Hills option agreement	\$ 13,750	\$ 37,000

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 Six Months Ended December 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN

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 trade on the Canadian Securities Exchange under the stock symbol “UUSA” and the OTCQX under the stock symbol “UUSAF”.

The head office and principal address of the Company is Suite 918 – 1030 West Georgia Street, Vancouver, British Columbia V6E 2Y3. The records office and registered address is Suite 1500 – 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

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 its assets and discharge its liabilities in the ordinary course of operations. At December 31, 2023, the Company had not yet achieved profitable operations and had accumulated losses of \$19,146,319 (June 30, 2023 – \$17,004,404) since its inception. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern.

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. BASIS OF PRESENTATION

These condensed consolidated interim financial statements were authorized for issue by the directors of the Company on February 22, 2024.

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.

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.

Kraken Energy Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended December 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

Consolidation

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

	Country of incorporation	Percentage owned*	
		December 31, 2023	June 30, 2023
Kraken Energy (Nevada) Corp. ("Kraken Nevada")	United States	100%	100%
Panerai Capital Corp. ("Panerai")	Canada	100%	100%
Panerai Capital USA Corp. ("Panerai USA")	United States	100%	100%

*Percentage of voting power is in proportion to ownership

Presentation and functional currency

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 Energy 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.

Significant accounting judgments

The preparation of condensed consolidated interim financial statements in accordance with IFRS requires management to make certain critical accounting estimates and assumptions about the future. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. The impacts of changes to estimates are recognized in the period estimates are revised and in future periods affected. The key assumptions management has made about the future and other major sources of estimation uncertainty at the date of the statement of financial position that have significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures and meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

Impairment of long-lived assets

The carrying value and the recoverability of long-lived assets, including exploration and evaluation assets, are evaluated at each reporting date. Management assesses for indicators of impairment, which includes assessing whether facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.

Kraken Energy Corp.

Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited - Expressed in Canadian Dollars)

Key sources of estimation uncertainty

Income taxes

The Company recognizes deferred tax assets for deductible temporary differences, unused tax losses and other income tax deductions only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and other income tax deductions can be utilized.

In assessing the probability of realizing the income tax benefits of deductible temporary differences, unused tax losses and other income tax deductions, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence.

Changes in any of the above-mentioned estimates can materially affect the amount of income tax assets recognized. In addition, where applicable tax laws and regulations are either unclear or subject to varying interpretations, changes in these estimates can occur that materially affect the amounts of income tax assets recognized. The Company reassesses unrecognized income tax assets at the end of each reporting period.

3. MATERIAL ACCOUNTING POLICIES

The accounting policies followed by the Company are set out in Note 3 to the audited consolidated financial statements for the year ended June 30, 2023, and have been consistently followed in the preparation of these condensed consolidated interim financial statements. In the current period, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the IASB that were effective for annual periods that begin on or after January 1, 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments – Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term “significant accounting policies” with “material accounting policy information.” Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The IASB has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2.

The amendments were applied effective July 1, 2023 and did not have a material impact on the Company’s condensed consolidated interim financial statements.

Kraken Energy Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended December 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

4. CASH AND CASH EQUIVALENTS

	December 31, 2023	June 30, 2023
Cash	\$ 60,268	\$ 1,450,811
Cash held in GIC	2,967,574	3,780,881
Total	\$ 3,027,842	\$ 5,231,692

Cash equivalents are held in cashable guaranteed investment certificates ("GIC") with an interest rate of 5.05%-5.40%.

5. EXPLORATION AND EVALUATION ASSETS

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

	Apex Property	Garfield Property	Huber Hills Property	Harts Point Property	Total
Property Acquisition Costs					
Balance, June 30, 2022	\$ 20,133,996	\$ -	\$ -	\$ -	\$ 20,133,996
Acquisitions – shares	-	37,000	-	31,350	68,350
Acquisitions – cash	-	26,795	-	-	26,795
Claims and bond fees	205,733	47,218	81,462	77,725	412,138
Currency translation adjustment	740,167	(860)	(959)	(914)	737,434
Balance, June 30, 2023	\$ 21,079,896	\$ 110,153	\$ 80,503	\$ 108,161	\$ 21,378,713
Acquisitions – shares	-	13,750	-	-	13,750
Acquisitions – cash	-	40,571	-	-	40,571
Claims and bond fees	202,759	46,542	7,745	73,201	330,247
Currency translation adjustment	(12,186)	(2,257)	(255)	(1,725)	(16,423)
Balance, December 31, 2023	\$ 21,270,469	\$ 208,759	\$ 87,993	\$ 179,637	\$ 21,746,858

Kraken Energy Corp.

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

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

	Apex Property	Garfield Property	Huber Hills Property	Harts Point Property	Total
Exploration and evaluation costs					
Costs incurred during the period ended December 31, 2022:					
Camp and crew costs	\$ -	\$ 9,993	\$ -	\$ -	\$ 9,993
Equipment	52,649	33,113	-	-	85,762
General consulting	57,164	2,065	-	-	59,229
Engineering exploration	6,122	386,094	-	-	392,216
Geological consulting	101,474	130,684	-	-	232,158
Mapping	8,592	-	-	-	8,592
Permits	-	42,445	-	-	42,445
Surveying	409,273	100,004	-	-	509,277
Drilling	-	58,133	-	-	58,133
Balance, December 31, 2022	\$ 635,274	\$ 762,531	\$ -	\$ -	\$ 1,397,805
Costs incurred during the period ended December 31, 2023:					
Assay and analysis	\$ -	\$ -	\$ 2,901	\$ -	\$ 2,901
Camp and crew costs	28,184	4,604	817	5,772	39,377
Equipment rental	-	10,938	-	47,765	58,703
General consulting	188,391	19,776	4,903	53,162	266,232
Geological consulting	109,281	-	1,285	3,212	113,778
Mapping	2,029	-	-	-	2,029
Permits	83,103	780	2,959	9,330	96,172
Transportation	-	-	-	4,088	4,088
Drilling	817,746	-	-	183,731	1,001,477
Balance, December 31, 2023	\$ 1,228,734	\$ 36,098	\$ 12,865	\$ 307,060	\$ 1,584,757

Apex Property

On April 8, 2022, the Company closed the share exchange agreement to acquire 100% interest in a private company, 1330038 B.C Ltd. ("133 B.C."), which signed an option agreement with certain vendor holders for the right to purchase 100% of the Apex Property. The Apex Property remains subject to a 3% net smelter return ("NSR") royalty in favour of the property vendors.

On January 31, 2022, 133 B.C. entered into a sale and purchase agreement with the property vendors to acquire the Apex Property in Nevada, United States. The Company acquired its 100% interest in the Apex Property on April 8, 2022 for total consideration as follows:

- Payment of US\$50,000 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 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).

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.

Kraken Energy Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended December 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

Garfield Hills Property

On August 9, 2022, the Company entered into an option agreement with 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. 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 (incurred).
- 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 (paid \$40,571 during the period ended December 31, 2023);
 - 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 (issued at fair value of \$13,750 (Note 6));
 - 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 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 terminated option agreement was regarding certain federal unpatented mining claims, which are held in the name of Nicholas Weicker. The terms in the new option agreement remain the same as the agreement dated August 9, 2022.

Huber Hills Property

During the year ended June 30, 2023, the Company staked claims encompassing the Huber Hills Uranium project ("Huber Hills"). Huber Hills is located within Elko County in Nevada, USA.

Harts Point Property

During the year ended June 30, 2023, the Company entered into a definitive option agreement (the "Option Agreement") with Atomic Minerals Corporation in order to acquire a 75% interest in the Harts Point Uranium Property, located within San Juan County, in Utah, USA. Under the terms of the agreement, the Company may acquire up to 75% of the Harts Point Property by meeting the following requirements:

- Kraken will be the operator and must incur cumulative US\$1 million and US\$1.5 million of eligible expenditures within 12 months and 18 months, respectively, from the date of the Option Agreement to earn a 65% interest (the "Initial Option").
- Kraken has the option to increase its 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 (the "Extended Option").
- 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 or the Extended Option, a definitive Joint Venture Agreement will be formed.

Kraken Energy Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended December 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

6. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At December 31, 2023, there were 54,357,091 (June 30, 2023 – 54,307,091) issued and fully paid common shares.

For the six months ended December 31, 2023

During the six months ended December 31, 2023, the Company issued 50,000 common shares at \$0.28 per share for a fair value of \$13,750 pursuant to the Garfield Hills Property option agreement (Note 5).

For the six months ended December 31, 2022

During the six months ended December 31, 2022, 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 5).

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 the 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. Options granted under the plan may vest immediately on grant, or over a period as determined by the Board of Directors or, in respect of options granted for investor relations services, as prescribed by Exchange policy.

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

	December 31, 2023		December 31, 2022	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning	3,650,000	\$ 0.91	1,650,000	\$ 0.94
Granted	-	-	2,475,000	1.00
Expired	(500,000)	0.90	-	-
Outstanding and exercisable, ending	3,150,000	\$ 0.97	4,125,000	\$ 0.98

The 500,000 expired options had a fair value of \$366,047 which was reclassified to deficit during the period.

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

Expiry date	Options outstanding	Options exercisable	Exercise price	Remaining contractual life (in years)
June 9, 2027	400,000	400,000	\$ 1.27	3.44
October 11, 2027	2,375,000	2,375,000	\$ 1.00	3.78
April 3, 2028	375,000	375,000	\$ 0.50	4.26

Kraken Energy Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended December 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

Warrants

There were no warrants granted or exercised during the six months ended December 31, 2023 or 2022. As of December 31, 2023 there were no warrants outstanding. There were 6,055,450 with an exercise price of \$1.85 outstanding as of December 31, 2022.

7. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, 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>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Share-based compensation	\$ -	\$ 728,667	\$ -	\$ 728,667
Exploration – general consulting	77,703	15,000	157,133	30,000
Management fees	209,814	107,063	313,564	170,201
Professional fees	-	16,654	-	40,598
Total	\$ 287,517	\$ 867,384	\$ 470,697	\$ 969,466

As at December 31, 2023, accounts payable and accrued liabilities include \$63,022 owing to related parties (June 30, 2023 – \$91,624). Amounts due to the related parties are unsecured, non-interest bearing and have no specified terms of repayment.

During the three and six months ended December 31, 2023, the Company paid \$81,767 and \$143,268 (2022 - \$Nil and \$Nil) respectively, to a company controlled by an officer of the Company for geological labour and equipment rentals, which is recorded in exploration expenditures.

During the year ended June 30, 2023, the Company entered into a short-term loan agreement and advanced \$34,375 to a director and officer of the Company. The loan advanced to the related party is unsecured, non-interest bearing and due on demand. During the six months ended December 31, 2023, \$17,875 of the loan was repaid. The balance due as of December 31, 2023 was \$16,500.

8. 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.

Kraken Energy Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended December 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

9. FINANCIAL INSTRUMENTS

Categories of financial instruments and fair value measurements

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

	December 31, 2023	June 30, 2023
Financial assets:		
<i>Fair value through profit or loss</i>		
Cash and cash equivalents	\$ 3,027,842	\$ 5,231,692
<i>Amortized cost</i>		
Loan advanced to related party	16,500	34,375
GST receivable	25,477	7,766
Financial liabilities:		
<i>Amortized cost</i>		
Accounts payable and accrued liabilities	\$ 906,129	\$ 192,545

The loan advanced to a related party and accounts payable and accrued liabilities include amounts due from and due to related parties (Note 7). The fair value of cash and cash equivalents, loan advanced to related party, GST receivable, and accounts payables and accrued liabilities 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:

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 December 31, 2023, the Company had a cash and cash equivalents balance of \$3,027,842 (June 30, 2023 – \$5,231,692) to settle current liabilities of \$906,129 (June 30, 2023 – \$192,545). 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.

Kraken Energy Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended December 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

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 December 31, 2023 and June 30, 2023, the Company had the following US dollar denominated assets and liabilities:

	December 31, 2023		June 30, 2023	
	US Dollars		US Dollars	
Cash and cash equivalents	\$	171	\$	6,194
Prepays		307,131		117,827
Accounts payable		(589,329)		(71,389)
	\$	(282,027)	\$	(52,632)

As at December 31, 2023, a 10% change in exchange rates between US dollars and Canadian dollars would impact the Company's net loss by \$28,203 (June 30, 2023 – \$5,263).

10. SEGMENTED INFORMATIONOperating 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 December 31, 2023 and June 30, 2023 are as follows:

	December 31, 2023				
	Canada		USA		Total
Assets					
Exploration and evaluation assets	\$	-	\$	21,746,858	\$ 21,746,858
Other assets		3,678,472		-	3,678,472
	\$	3,678,472	\$	21,746,858	\$ 25,425,330
	June 30, 2023				
	Canada		USA		Total
Assets					
Exploration and evaluation assets	\$	-	\$	21,378,713	\$ 21,378,713
Other assets		5,837,363		-	5,837,363
	\$	5,837,363	\$	21,378,713	\$ 27,216,076