



**INTERIM FINANCIAL STATEMENTS**  
**(Presented in Canadian Dollars)**  
**(Unaudited)**

**FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2022**

**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED 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 condensed interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

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

**PROSPECT RIDGE RESOURCES CORP.**  
**INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Presented in Canadian Dollars - Unaudited)

As at	May 31, 2022	August 31, 2021
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 4,399,070	\$ 764,359
Receivables	22,493	10,679
Prepaid expenses	<u>306,782</u>	<u>17,801</u>
	4,728,345	792,839
Reclamation Deposit (Note 7)	59,500	-
Equipment and right-of-use assets (Note 4)	453,045	126,626
Exploration and evaluation assets (Note 6)	<u>3,987,500</u>	<u>565,000</u>
<b>Total Assets</b>	<u>\$ 9,228,390</u>	<u>\$ 1,484,465</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 45,339	\$ 487,833
Current portion of lease liabilities (Note 5)	<u>23,053</u>	<u>1,549</u>
<b>Total current liabilities</b>	<u>68,392</u>	<u>489,382</u>
Lease liabilities (Note 5)	<u>118,196</u>	<u>-</u>
<b>Total Liabilities</b>	<u>186,588</u>	<u>489,382</u>
<b>Shareholders' Equity</b>		
Share capital (Note 8)	11,421,654	1,260,973
Commitment to issue finder's shares (Note 6)	328,571	460,000
Contributed surplus (Note 8)	2,057,709	964,456
Deficit	<u>(4,766,132)</u>	<u>(1,690,346)</u>
<b>Total Shareholders' Equity</b>	<u>9,041,802</u>	<u>995,083</u>
<b>Total Liabilities and Shareholders' Equity</b>	<u>\$ 9,228,390</u>	<u>\$ 1,484,465</u>
Nature and continuance of operations (Note 1)		

Approved and authorized by the Board of Directors on July 20, 2022:

"Michael Iverson"

Director

"Nick Luksha"

Director

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

**PROSPECT RIDGE RESOURCES CORP.**  
**CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Presented in Canadian Dollars - Unaudited)

	For the three months ended May 31, 2022	For the three months ended May 31, 2021	For the nine months ended May 31, 2022	For the nine months ended May 31, 2021
<b>EXPENSES</b>				
Depreciation (Note 4)	\$ 20,217	\$ 4,448	\$ 41,807	\$ 11,863
Exploration and evaluation expenditures (Note 6)	245,378	-	728,143	-
Insurance	7,005	-	17,054	-
Investor relations	242,366	-	956,076	34,625
Consulting and Management fees (Note 9)	90,500	12,000	292,733	39,500
Professional fees	28,991	29,738	71,703	59,643
Transfer agent and filing fees	17,607	10,200	18,554	15,905
Foreign exchange	-	3	-	19
Travel expense	21,916	-	30,164	-
Share-based payments (Notes 8, 9)	367,860	-	889,125	-
Office and miscellaneous	17,607	798	30,265	2,468
	(1,049,315)	(57,187)	(3,075,624)	(164,023)
<b>Other items</b>				
Lease accretion (Note 5)	(150)	(218)	(162)	(813)
<b>Loss and comprehensive loss for the period</b>	\$ (1,049,465)	\$ (57,405)	\$ (3,075,786)	\$ (164,836)
<b>Basic and diluted loss per common share</b>	\$ (0.02)	\$ (0.00)	\$ (0.06)	\$ (0.01)
<b>Weighted average number of common shares outstanding – basic and diluted</b>	50,009,772	14,840,327	47,555,535	13,369,250

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

**PROSPECT RIDGE RESOURCES CORP.**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
(Presented in Canadian Dollars - Unaudited)

For the nine months period ended	May 31, 2022	May 31, 2021
<b>CASH FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (3,075,786)	\$ (164,836)
Items not affecting cash		
Share-based payments	889,125	-
Depreciation	41,807	11,863
Lease accretion	162	813
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	(442,494)	75,752
Prepaid expenses	(288,981)	(1,400)
Receivables	<u>(11,814)</u>	<u>(537)</u>
Net cash used in operating activities	<u>(2,887,981)</u>	<u>(78,345)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Reclamation deposit	(59,500)	-
Expenditures on exploration and evaluation assets	(220,000)	(50,000)
Expenditures on equipment	<u>(225,217)</u>	<u>-</u>
Net cash used in investing activities	<u>(504,717)</u>	<u>(50,000)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from private placements	7,263,000	67,814
Proceeds from IPO	-	500,000
Proceeds from warrant exercise	11,320	-
Share issuance costs	(243,440)	(70,555)
Lease payments	<u>(3,471)</u>	<u>(12,487)</u>
Net cash provided in financing activities	<u>7,027,409</u>	<u>484,772</u>
<b>Change in cash during the period</b>	3,634,711	356,427
<b>Cash, beginning of period</b>	<u>764,359</u>	<u>711,654</u>
<b>Cash, end of period</b>	<u>\$ 4,399,070</u>	<u>\$ 1,068,081</u>
<b>Supplemental cash flow information:</b>		
Recognition of Right of Use Asset	\$ 143,009	\$ -
Fair value of warrants exercised	\$ 5,909	\$ -
Broker warrants issued as share issuance costs	\$ 210,037	\$ -
Shares issued for exploration and evaluation assets	\$ 3,333,929	\$ -

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

**PROSPECT RIDGE RESOURCES CORP.**  
**CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY**  
(Presented in Canadian Dollars - Unaudited)

	<u>Share capital</u>		Commitment to issue finder's shares	Special warrants	Subscriptions received in advance	Contributed surplus	Deficit	Total
	Number	Amount						
<b>Balance, August 31, 2020</b>	1	\$ 1	\$ -	\$ 456,061	\$ 283,561	\$ -	\$ (36,720)	702,903
Shares issued for private placements	23,305,000	813,875	-	(462,500)	(283,561)	-	-	67,814
Shares issued for IPO	5,000,000	500,000	-	-	-	-	-	500,000
Shares issued for E&E assets	150,000	30,000	-	-	-	-	-	30,000
Share issuance costs – common shares	200,000	20,000	-	-	-	-	-	20,000
Share issuance costs – common shares	-	(20,000)	-	-	-	-	-	(20,000)
Share issuance costs – warrants	-	(5,909)	-	-	-	5,909	-	-
Share issuance costs – cash	-	(76,994)	-	6,439	-	-	-	(70,555)
Loss for the period	-	-	-	-	-	-	(164,836)	(164,836)
<b>Balance, May 31, 2021</b>	28,655,001	1,260,973	-	-	-	5,909	(201,556)	1,065,326
Share issuance costs – warrants	-	-	-	-	-	-	-	-
Share issuance costs – cash	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	958,547	-	958,547
Commitment to issue finder's shares	-	-	460,000	-	-	-	-	460,000
Loss for the period	-	-	-	-	-	-	(1,488,790)	(1,488,790)
<b>Balance, August 31, 2021</b>	28,655,001	1,260,973	460,000	-	-	964,456	(1,690,346)	995,083
Shares issued for private placements	18,405,856	7,263,000	-	-	-	-	-	7,263,000
Shares issued for exploration and evaluation assets	2,550,000	3,202,500	-	-	-	-	-	3,202,500
Share issuance costs – common shares	285,715	131,429	(131,429)	-	-	-	-	-
Share issuance costs – common shares	-	(210,037)	-	-	-	210,037	-	-
Share issuance costs – warrants	113,200	17,229	-	-	-	(5,909)	-	11,320
Share issuance costs – cash	-	(243,440)	-	-	-	-	-	(243,440)
Share-based payments	-	-	-	-	-	889,125	-	889,125
Loss for the period	-	-	-	-	-	-	(3,075,786)	(3,075,786)
<b>Balance, May 31, 2022</b>	50,009,772	\$ 11,421,654	\$ 328,571	\$ -	\$ -	\$ 2,057,709	\$ (4,766,132)	\$ 9,041,802

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

## **PROSPECT RIDGE RESOURCES CORP.**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED MAY 31, 2022

(Presented in Canadian Dollars - Unaudited)

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### **1. NATURE AND CONTINUANCE OF OPERATIONS**

Prospect Ridge Resources Corp. (the "Company") was incorporated under the laws of the Province of British Columbia on April 6, 2020. The Company is principally engaged in the acquisition and exploration of resource properties. The Company's head office is located at Suite 488-1090 West Georgia St, Vancouver, BC V6E 3V7, and its registered and records office is located at 10<sup>th</sup> Floor – 595 Howe Street, Vancouver, BC V6C 2T5.

The Company is in the process of exploring and evaluating its resource properties and investing in potential new acquisitions and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These 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 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. An inability to raise additional financing may impact the future assessment of the Company as a going concern. These material uncertainties may cast significant doubt about the ability of the Company to continue as a going concern.

These interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

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 interim financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and are compliant with IAS 34 "Interim Financial Reporting". These interim financial statements do not include all of the information required for full annual financial statements.

#### **Basis of Presentation**

The interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

## **PROSPECT RIDGE RESOURCES CORP.**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED MAY 31, 2022

(Presented in Canadian Dollars - Unaudited)

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### **2. BASIS OF PREPARATION (cont'd...)**

#### **Significant accounting judgments, estimates and assumptions**

The interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

#### *Critical judgments in applying accounting policies*

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company, as discussed in Note 1.

#### *Key Sources of Estimation Uncertainty*

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. Significant estimates made by management affecting the financial statements include:

#### *Exploration and Evaluation Assets ("E&E")*

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 resources prices and the long-term forecasts, and the overall economic viability of the project.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The Company's accounting policies are consistent with those applied in the Company's financial statements for the year ended August 31, 2021 with the addition of the significant accounting policy for leases. These interim financial statements should be read in conjunction with the Company's most recent annual financial statements for the year ended August 31, 2021



**PROSPECT RIDGE RESOURCES CORP.**

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED MAY 31, 2022

(Presented in Canadian Dollars - Unaudited)

**4. EQUIPMENT AND RIGHT-OF-USE ASSETS**

	Right-of- Use Assets - Office	Right-of- Use Assets - Vehicles	Field Equipment	Vehicles	Drills	Office equipment	Total
<b>Cost</b>							
Balance, August 31, 2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	17,795	-	-	73,941	55,288	-	149,524
Balance, August 31, 2021	17,795	-	2,500	73,941	55,288	-	149,524
Additions	-	143,009	62,197	86,551	55,000	21,469	368,226
Balance, May 31, 2022	\$ 17,795	\$ 143,009	\$ 64,697	\$ 160,492	\$ 110,288	\$ 21,469	\$ 517,750
<b>Accumulate Depreciation</b>							
Balance, August 31, 2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation expense	16,312	-	125	3,697	2,764	-	22,898
Balance, August 31, 2021	16,312	-	125	3,697	2,764	-	22,898
Depreciation expense	1,483	1,834	4,831	15,506	16,543	1,610	41,807
Balance, May 31, 2022	\$ 17,795	\$ 1,834	\$ 4,956	\$ 19,203	\$ 19,307	\$ 1,610	\$ 64,705
<b>As at August 31, 2021</b>	\$ 1,483	\$ -	\$ 2,375	\$ 70,244	\$ 52,524	\$ -	\$ 126,626
<b>As at May 31, 2022</b>	\$ -	\$ 141,175	\$ 59,741	\$ 141,289	\$ 90,981	\$ 19,859	\$ 453,045

**5. LEASE LIABILITIES**

During the year ended August 31, 2021, the Company entered into a 13-month office lease agreement. On initial recognition, the lease had undiscounted remaining payment of \$1,549. During the period ended May 31, 2022, the Company entered into two new leases for vehicle rental with undiscounted payments of \$143,009.

In calculating present values, the Company used a discount rate of 10% for office lease and 1.4% for vehicle lease.

The following summarizes the undiscounted minimum lease payments under the lease liabilities as at May 31, 2022:

Fiscal year	Payment
2022	\$ 6,685
2023	24,831
2024	24,831
2025	24,831
2026	24,831
2027	24,831
2028	16,235
Amount representing future lease accretion	(5,826)
Lease liabilities as at May 31, 2022	\$ 141,249

**PROSPECT RIDGE RESOURCES CORP.**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED MAY 31, 2022

(Presented in Canadian Dollars - Unaudited)

**5. LEASE LIABILITIES (cont'd...)**

The following is a reconciliation of the changes in the lease liabilities:

<b>Lease liabilities</b>	May 31, 2022
Balance, August 31, 2021	\$ 1,549
Additions	143,009
Lease accretion	162
Lease payments	(3,471)
<b>Balance, May 31, 2022</b>	<b>\$ 141,249</b>
Represented as:	
Current portion of lease liabilities	\$ 23,053
Non-current portion of lease liabilities	\$ 118,196

**6. EXPLORATION AND EVALUATION ASSETS****Mineral Property Acquisition Costs by Project**

	<b>Galinee Property</b>	<b>Holy Grail Property</b>	<b>Knauss Creek Property</b>	<b>Total</b>
<b>Acquisition costs</b>				
Balance, August 31, 2020	\$ 25,000	\$ -	\$ -	\$ 25,000
Cash	50,000	-	-	50,000
Shares	30,000	460,000	-	490,000
Balance, August 31, 2021	105,000	460,000	-	565,000
Cash	-	210,000	10,000	220,000
Shares	-	2,460,000	742,500	3,202,500
<b>As at May 31, 2022</b>	<b>\$ 105,000</b>	<b>\$ 3,130,000</b>	<b>\$ 752,500</b>	<b>\$ 3,987,500</b>

**Galinee Property**

On June 26, 2020, the Company entered into an agreement, whereby it has the right to earn a 100% interest in the Galinee Property in the Baie-James, Quebec. The Galinee Property is subject to a 1% net smelter returns ("NSR") royalty.

The terms of the option agreement call for cash payments totaling \$200,000 to be paid as follows:

- \$25,000 on the execution date (paid \$25,000);
- \$50,000 and 150,000 shares on the Effective Date<sup>1</sup>(paid \$50,000 and issued 150,000 common shares);
- \$25,000 on or before 16 months after the Effective Date; and
- \$100,000 on or before 24 months after the Effective Date.

## PROSPECT RIDGE RESOURCES CORP.

NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED MAY 31, 2022  
(Presented in Canadian Dollars - Unaudited)

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

#### Galinee Property (cont'd...)

The terms of the option agreement call for expenditure on the property as follows:

- \$150,000 on or before 16 months after the Effective Date; and
- \$150,000 on or before 24 months after the Effective Date.

<sup>1</sup>The date of the Final Exchange Bulletin giving notice of the approval by the Exchange of the listing of the Shares on the facilities of the Exchange and the acceptance by the Exchange of the agreement and the transactions contemplated by the agreement.

#### Holy Grail Property

On August 26, 2021, the Company entered into an agreement, whereby it has the option to acquire a 100% interest in the Holy Grail Property in north of Terrace, B.C. The options are comprised of: (1) an option to acquire 50% of the mineral claims comprising the Property (the "First Option"); (2) an option to acquire the remaining 50% of the mineral claims comprising the Property (the "Second Option"); and (3) an option (the "Placer Option" and, together with the First Option and the Second Option, the "Option") to acquire 100% of the placer claims comprising the Property (the "Placer Claims").

##### *Option to Acquire the Holy Grail Property*

The First option requirement is:

<b>Date</b>	<b>Cash</b>	<b>Shares</b>	<b>Exploration Expenditures</b>
Upon closing ( <i>Completed</i> )	\$ 200,000	2,000,000	\$ -
12 months from Closing	160,000	1,000,000	1,000,000
24 months from Closing	160,000	1,000,000	1,000,000
	<u>\$ 520,000</u>	<u>4,000,000</u>	<u>\$ 2,000,000</u>

The Second option requirement is:

<b>Date</b>	<b>Cash</b>	<b>Shares</b>	<b>Exploration Expenditures</b>
36 months from Closing	\$ 160,000	1,000,000	\$ 1,000,000
48 months from Closing	160,000	1,000,000	1,000,000
60 months from Closing	160,000	1,000,000	1,000,000
	<u>\$ 480,000</u>	<u>3,000,000</u>	<u>\$ 3,000,000</u>

The Placer option requirement is:

Subject to the terms of the agreement, the Company has option to acquire a 100% interest (the "Placer Interest") in the Placer Claims except for the Placer Royalty, by a cash payment to the Optionor in the amount of the aggregate staking and maintenance costs incurred by the Optionor on the Placer Claims up to and including the Closing Date on or before the date that is 30 days after the deemed exercise of the Second Option.

## PROSPECT RIDGE RESOURCES CORP.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED MAY 31, 2022

(Presented in Canadian Dollars - Unaudited)

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

#### Holy Grail Property (cont'd...)

The Holy Grail Property will at all times be subject to a 3% NSR royalty. The Company has the right to purchase 1% of the NSR royalty for \$1,000,000 within 5 years after the earlier of the date that option is exercised, or the agreement is terminated.

In connection with the agreement, the Company will pay finder's fees of 1,000,000 common shares in the capital of the Company (the "Finder's Shares") to Triple K Ventures Ltd., a Company related to the CEO, upon the successful closing of the transaction in accordance with the following schedule:

- (a) 285,715 Finder's Shares on the date that the Option Agreement is signed;  
*(issued with fair value of \$131,429)*
- (b) 142,857 Finder's Shares on the first anniversary of the Option Agreement;
- (c) 142,857 Finder's Shares on the second anniversary of the Option Agreement;
- (d) 142,857 Finder's Shares on the third anniversary of the Option Agreement;
- (e) 142,857 Finder's Shares on the fourth anniversary of the Option Agreement;
- (f) 142,857 Finder's Shares on the fifth anniversary of the Option Agreement;

#### Knauss Creek Property

On November 3, 2021, the Company entered an agreement with Knauss Creek Mines Ltd. ("Knauss") to acquire a 100% interest in the Knauss Creek Property.

Pursuant to the terms of the agreement, the Company must pay \$10,000 and issue 1,200,000 common shares to Knauss over a two-year period as follows:

Date	Cash	Shares	Exploration Expenditure
Upon closing ( <i>Completed</i> )	\$ 10,000	500,000	\$ -
12 months from Closing	-	500,000	-
24 months from Closing	-	200,000	-
The earlier of (a) one year following receipt of a drill permit in respect of the Property, or (b) 18 months after the Closing Date	-	-	250,000
On or before October 31, 2023	-	-	750,000
	<u>\$ 10,000</u>	<u>1,200,000</u>	<u>\$ 1,000,000</u>

The Company has also granted Knauss a 1% net smelter returns ("NSR") royalty with respect the property. The Company has the right to purchase from Knauss one-half of the NSR for \$1,000,000 at any time prior to 45 consecutive production days at 70% of processing plant design capacity or mining rate if a processing facility is not constructed on the property.

In connection with the agreement with Knauss, the Company has agreed to issue to Loan Wolf Exploration Ltd. ("Loan Wolf") 120,000 common shares (50,000 common shares issued on the closing date, 50,000 common shares issued on the first anniversary of the closing date, and 20,000 common shares on the second anniversary of the closing date). The Company has also granted Loan Wolf a 2% NSR with respect to the property.

## PROSPECT RIDGE RESOURCES CORP.

NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED MAY 31, 2022  
(Presented in Canadian Dollars - Unaudited)

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

#### Exploration and evaluation expenditures

Exploration and evaluation expenditures for the nine-month period ended May 31, 2022 is detailed below:

	Holy Grail	Knauss Creek	Total
Claims	\$ 25,691	\$ 2,000	\$ 27,691
Geophysics	11,473	-	11,473
Geology	95,108	31,506	126,614
Prospection/Geochemistry	371,806	144,315	516,121
Drilling	14,291	12,750	27,041
Stripping	1,785	-	1,785
Technical studies	5,418	12,000	17,418
	<u>\$ 525,572</u>	<u>\$ 202,571</u>	<u>\$ 728,143</u>

### 7. RECLAMATION DEPOSITS

As at May 31, 2022 the Company held \$59,500 (August 31, 2021 - \$Nil) in deposits with a financial institution as security for reclamation requirements.

### 8. SHARE CAPITAL

#### Authorized Share Capital

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

#### Issued Share Capital

During the period ended May 31, 2022, the Company:

- Completed a private placement by issuing 17,142,856 units at a price of \$0.35 per unit for total proceeds of \$6 million. Each unit consists of one common share and one-half of one share purchase warrant entitling the holder to purchase one additional common share at a price of \$0.70 per common share for 18 months from the date of issuance, subject to a forced exercise clause in the event that the trading price of the common shares equals or exceeds \$1.15 for 10 consecutive days. In connection with the offering, the Company paid an aggregate of \$88,903 in finders' fees, issued 250,510 finder's warrants entitling the holder to purchase one common share at \$0.70 per common share for a period of 18 months from the date of issuance, and incurred an additional \$29,927 in other closing costs.
- Issued 113,200 common shares at a price of \$0.10 per common share for proceeds of \$11,320 from the exercise of broker warrants.
- Issued 2,000,000 common shares valued at \$2,460,000 and issued 285,715 Finder's shares valued at \$131,429 per Galinee Property option agreement (Note 6).
- Issued 550,000 common shares valued at \$742,500 per Knauss Creek Property agreement (Note 6).

## **PROSPECT RIDGE RESOURCES CORP.**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED MAY 31, 2022

(Presented in Canadian Dollars - Unaudited)

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

#### **Issued Share Capital (cont'd...)**

- e) Completed a private placement by issuing 1,263,000 units at a price of \$1.00 per unit for total proceeds of \$1,263,000. Each unit consists of one common share and one-half of one share purchase warrant entitling the holder to purchase one additional common share at a price of \$1.50 per common share for 18 months from the date of issuances, subject to a forced exercise clause in the event that the trading price of the shares equals or exceeds \$2.25 for 10 consecutive days. In connection with the offering, the Company paid an aggregate of \$75,110 in finders' fees and issued 75,110 finder's warrants, each finder's warrant entitling the holder to purchase one common share at \$1.50 per common share for a period of 18 months from the date of issuance.

During the year ended August 31, 2021, the Company:

- a) Completed a non-brokered private placement by issuing 13,600,000 common shares at \$0.025 per common share for gross proceeds of \$340,000, of which \$283,561, net of share issuance costs of \$6,439, were received during the period ended August 31, 2020.
- b) Issued 455,000 common shares from the exercise of special seed warrants at \$0.025 per warrant for gross proceeds of \$11,375.
- c) Issued 9,250,000 common shares from the exercise of pre-IPO special warrants at \$0.025 per warrant for gross proceeds of \$462,500, of which \$456,061, net of share issuance costs of \$6,439, were received during the period ended August 31, 2020.
- d) Completed an initial public offering by issuing 5,000,000 common shares at \$0.10 per common share for gross proceeds of \$500,000, less issuance costs of \$64,116 in cash, with net proceeds of \$435,884. The Company issued 200,000 finder's shares valued at \$20,000 and 113,200 finder's warrants entitling the holder to purchase one common share with an exercise price of \$0.10 per common share for a period of two years. The finder's warrants were valued at \$5,909 using the Black-Scholes pricing model using a share price of \$0.10, expected life of two years, a volatility of 100%, a risk-free interest rate of 0.31% and expected dividend rate of nil.
- e) Issued 150,000 common shares valued at \$30,000 per Galinee Property option agreement (Note 6).

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**8. SHARE CAPITAL (cont'd...)****Stock options and warrants (cont'd...)**

Stock option and warrant transactions are summarized as follows:

	Options		Warrants	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Balance, August 31, 2020	-	\$ -	-	\$ -
Granted	2,850,000	0.50	113,200	0.10
Balance, August 31, 2021	2,850,000	0.50	113,200	0.10
Exercised	-	-	(113,200)	0.10
Granted	1,575,000	0.78	9,528,543	0.70
Cancelled	(750,000)	1.10	-	-
Balance, May 31, 2022, outstanding and exercisable	3,675,000	\$ 0.50	9,528,543	\$ 0.76

**Stock options and warrants (cont'd...)**

As at May 31, 2022 the following stock options were outstanding:

Number Outstanding	Number Outstanding and Exercisable	Exercise Price	Expiry Date	Remaining Life (years)
2,600,000	2,600,000	\$ 0.50	August 26, 2026	4.24
1,075,000	1,075,000	\$ 0.50	April 11, 2027	4.87
3,675,000	3,675,000			

As at May 31, 2022 the following warrants were outstanding:

Number Outstanding	Number Outstanding and Exercisable	Exercise Price	Expiry Date	Remaining Life (years)
8,821,933	8,821,933	\$ 0.70	March 24, 2023	0.81
706,610	706,610	\$ 1.50	June 16, 2023	1.04
9,528,543	9,528,543			

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

#### Share-based payments

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. The term of any options granted under the Plan will be fixed by the board of directors at the time such options are granted, provided that options will not be permitted to exceed a term of ten years, with the exception of any options extended due to a Blackout Period. The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's shares, forfeiture rate, and expected life of the options. Under the plan the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant.

During the period ended May 31, 2022, the Company granted 1,075,000 stock options (2021 – nil). The weighted average fair value of options granted during the period ended May 31, 2022 was \$0.78 (2021 - \$nil). Total share-based payments recognized in the statement of loss and comprehensive loss for the period ended May 31, 2022 was \$889,125 (2021 - \$nil) for incentive options vested. The fair value of options at the date of grant was estimated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	May 31, 2022	August 31, 2021
Weighted average share price	\$0.75	\$0.46
Risk-free interest rate	2.23%	0.87%
Expected life of option	5 years	5 years
Expected annualized volatility	100%	100%
Expected dividend rate	Nil	Nil

### 9. RELATED PARTIES TRANSCATIONS

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

#### Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors, the Chief Executive Officer, and Chief Financial Officer. Key management personnel payments for the period ended May 31, 2022, included:



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### 9. RELATED PARTIES TRANSCATIONS (cont'd...)

	Management fees	Consulting fees	Share-based payments	Total
Chief Executive Officer	\$ 150,000	\$ -	\$ 313,138	\$ 463,138
Chief Financial Officer	22,500	-	-	22,500
Other Officers	-	-	34,161	34,161
Non-executive directors	-	117,833	263,416	381,249
	\$ 172,500	\$ 117,833	\$ 610,715	\$ 901,048

As at May 31, 2022, \$7,725 (August 31, 2021 - \$343,039) was included in accounts payables and accrued liabilities for fees owed to related parties.

Key management personnel payments for the period ended May 31, 2021, included:

	Management fees	Share-based payments	Total
Chief Executive Officer	\$ 12,000	\$ -	\$ 12,000
Chief Financial Officer	27,500	-	27,500
	\$ 39,500	\$ -	\$ 39,500

### 10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect placement within the fair value hierarchy levels.

The carrying values of cash, receivables and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

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### **10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)**

#### **Credit risk**

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's receivables consist mainly of goods and services tax receivables due from the government of Canada. As at May 31, 2022, the Company's exposure to credit risk is minimal.

#### **Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at May 31, 2022, the Company had a cash balance of \$4,399,070 to settle current liabilities of \$68,392. All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. Management intends to meet its liabilities by actively pursuing investors.

#### **Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

##### **a) Interest rate risk**

As at May 31, 2022, the Company was not subject to or exposed to any interest rate risk as it had no variable interest debt or investments.

##### **b) Foreign currency risk**

As at May 31, 2022, the Company is not exposed to foreign currency risk.

##### **c) Price risk**

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. As at May 31, 2022, the Company was not exposed to any equity or commodity price risks.

### **11. CAPITAL MANAGEMENT**

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns and/or benefits for shareholders. The Company considers its shareholders' equity to be its capital.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the administration of its corporate affairs and to provide funds for the development of its business. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management and consultants to sustain future development of the business.

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**11. CAPITAL MANAGEMENT (cont'd...)**

The Company has no revenue generating operations and as such is dependent upon external financing to fund activities. In order to develop its business and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as required. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the size of the Company.

There were no changes in the Company's approach to capital management during the period ended May 31, 2022. The Company is not subject to externally imposed capital requirements.