



**KALO GOLD CORP.**

**(An Exploration Stage Company)**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED NOVEMBER 30, 2022 AND 2021**

**(EXPRESSED IN CANADIAN DOLLARS)**

**(UNAUDITED)**

**KALO GOLD CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT NOVEMBER 30, 2022 AND AUGUST 31, 2022**

*(expressed in Canadian Dollars)*

	NOVEMBER 30, 2022	AUGUST 31, 2022
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 98,885	\$ 70,608
Prepaid expenses	56,675	121,348
Sales taxes receivable	41,830	68,539
	197,390	260,495
<b>Non-current assets</b>		
Exploration and evaluation asset (Note 7)	218,504	1,304
Equipment (Note 8)	130,774	139,645
Deposits (Note 6)	50,086	46,813
Restricted cash	6,879	6,430
<b>Total assets</b>	<b>\$ 603,633</b>	<b>\$ 454,687</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 9)	\$ 902,411	\$ 711,989
Subscriptions payable	-	38,215
Loan liability (Note 10)	20,409	-
Flow-through liability (Note 11)	3,873	-
<b>Total liabilities</b>	<b>926,693</b>	<b>750,204</b>
<b>Shareholders' equity (deficiency)</b>		
Share capital (Note 11)	7,743,138	7,394,195
Contributed surplus	6,175,469	6,175,469
Reserves (Note 11)	1,218,102	1,137,211
Accumulated other comprehensive loss	(42,413)	(48,852)
Deficit	(15,417,356)	(14,953,540)
<b>Total shareholders' equity (deficiency)</b>	<b>(323,060)</b>	<b>(295,517)</b>
<b>Total liabilities and shareholders' equity (deficiency)</b>	<b>\$ 603,633</b>	<b>\$ 454,687</b>

Continuance of Operations and Going Concern (Note 2)  
Subsequent Events (Note 16)

Approved and authorized for issue on behalf of the Board of Directors on January 27, 2023

*/s/ Kevin Ma*

Kevin Ma, Director and VP Capital Markets

*/s/ David Whittle*

David Whittle, Director

The accompanying notes are integral to these condensed interim consolidated financial statements.

**KALO GOLD CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
**FOR THE THREE MONTHS ENDED NOVEMBER 30, 2022 and 2021**

*(expressed in Canadian Dollars)*

	<b>THREE MONTHS ENDED NOVEMBER 30, 2022</b>	<b>THREE MONTHS ENDED NOVEMBER 30, 2021</b>
<b>Operating expenses</b>		
Consulting and management fees (Note 14)	\$ 181,487	\$ 118,357
Depreciation and amortization (Note 8)	8,871	4,062
Exploration and evaluation (Note 12)	147,022	160,313
Foreign exchange loss	(2,456)	(4,294)
General and administrative expenses	17,504	18,060
Investor relations and marketing	91,495	126,204
Legal and professional fees	17,291	71,155
Share based compensation (Note 11)	80,891	48,309
Travel	5,226	3,627
	<b>(547,331)</b>	<b>(545,793)</b>
<b>Other income</b>		
Interest	559	98
Recovery of flow-through premium	26,728	-
GST recovery	56,228	-
<b>Net loss</b>	<b>(463,816)</b>	<b>(545,695)</b>
<b>Other comprehensive income</b>		
Items that may be reclassified subsequently to net loss		
Foreign exchange loss on translation of foreign operations	6,439	(1,020)
<b>Net comprehensive loss for the period</b>	<b>\$ (457,377)</b>	<b>\$ (546,715)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of shares outstanding (basic and diluted)</b>	<b>73,159,886</b>	<b>53,758,076</b>

The accompanying notes are integral to these condensed interim consolidated financial statements.

**KALO GOLD CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED NOVEMBER 30, 2022 and 2021**

*(expressed in Canadian Dollars)*

	<b>THREE MONTHS ENDED NOVEMBER 30, 2022</b>	<b>THREE MONTHS ENDED NOVEMBER 30, 2021</b>
<b>Cash flows from operating activities</b>		
Net loss for the period	\$ (463,816)	\$ (545,695)
Adjustments to net loss		
Depreciation and amortization	8,871	4,062
Share based compensation	80,891	48,309
Recovery of flow-through premium	(26,728)	-
GST recovery	(56,228)	-
Interest expense	147	-
Changes in non-cash working capital		
Accounts payable and accrued liabilities	190,423	323,826
Prepaid expenses, deposits and other assets	147,610	(93,116)
<b>Cash flows used in operating activities</b>	<b>(118,830)</b>	<b>(262,614)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of common shares net of issue costs	124,128	-
Share subscriptions received	-	456,000
Borrowing from loan liabilities	20,654	-
<b>Cash flows from financing activities</b>	<b>144,782</b>	<b>456,000</b>
<b>Effect of foreign exchange on cash</b>	<b>2,325</b>	<b>(504)</b>
<b>Change in cash during the period</b>	<b>28,277</b>	<b>192,882</b>
<b>Cash – beginning</b>	<b>70,608</b>	<b>420,988</b>
<b>Cash – ending</b>	<b>\$ 98,885</b>	<b>\$ 613,870</b>

The accompanying notes are integral to these condensed interim consolidated financial statements.

**KALO GOLD CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE THREE MONTHS ENDED NOVEMBER 30, 2022 and 2021**

*(expressed in Canadian Dollars)*

	Share capital		Contributed Surplus	Subscriptions received	Reserves	Accumulated other comprehensive loss	Deficit	Total
	Number of shares	Amount						
<b>Balance – August 31, 2021</b>	53,758,076	\$ 5,613,100	\$ 6,175,469	\$ -	\$ 979,241	\$ (34,849)	\$ (12,231,897)	\$ 501,064
Net loss for the period	-	-	-	-	-	-	(545,695)	(545,695)
Foreign exchange loss on translation of foreign operations	-	-	-	-	-	(1,020)	-	(1,020)
Share based compensation	-	-	-	-	48,309	-	-	48,309
Share subscriptions received	-	-	-	456,000	-	-	-	456,000
<b>Balance –November 30, 2021</b>	<b>53,758,076</b>	<b>\$ 5,613,100</b>	<b>\$ 6,175,469</b>	<b>\$ 456,000</b>	<b>\$ 1,027,550</b>	<b>\$ (35,869)</b>	<b>\$ (12,777,592)</b>	<b>\$ 458,658</b>
<b>Balance – August 31, 2022</b>	63,728,430	\$ 7,394,195	\$ 6,175,469	\$ -	\$ 1,137,211	\$ (48,852)	\$ (14,953,540)	\$ (295,517)
Net loss for the period	-	-	-	-	-	-	(463,816)	(463,816)
Foreign exchange loss on translation of foreign operations	-	-	-	-	-	6,439	-	6,439
Shares issued for cash	2,040,000	132,600	-	-	-	-	-	132,600
Shares issued in acquisition of 1271895 B.C. Ltd	7,496,250	217,200	-	-	-	-	-	217,200
Share issuance costs	-	(857)	-	-	-	-	-	(857)
Share based compensation	-	-	-	-	80,891	-	-	80,891
<b>Balance –November 30, 2022</b>	<b>73,264,680</b>	<b>\$ 7,743,138</b>	<b>\$ 6,175,469</b>	<b>\$ -</b>	<b>\$ 1,218,102</b>	<b>\$ (42,413)</b>	<b>\$ (15,417,356)</b>	<b>\$ (323,060)</b>

The accompanying notes are integral to these condensed interim consolidated financial statements.

**KALO GOLD CORP.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED NOVEMBER 30, 2022 and 2021**

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*(expressed in Canadian Dollars)*

**1. Nature of Business**

Kalo Gold Corp. (“Kalo” or the “Company”), was incorporated under the Business Corporation Act (British Columbia) on March 6, 2019. On February 25, 2021, the Company changed its name from E36 Capital Corp. to Kalo Gold Holdings Corp. On August 16, 2021, the Company changed its name from Kalo Gold Holdings Corp. to Kalo Gold Corp. The Company’s common shares are listed on the TSX Venture Exchange under the symbol “KALO”. Kalo is a mineral exploration company focused on the Vatu Aurum gold project on Fiji’s north island, Vanua Levu.

The registered office of the Company is located at Suite 1500 - 1055 W Georgia Street, Vancouver, British Columbia V6E 4N7. The head office of the Company is located at Suite 1430, 800 West Pender Street, Vancouver, British Columbia V6C 2V6.

**Reverse Takeover**

On February 25, 2021, the Company completed a reverse takeover transaction pursuant to which it acquired Kalo Gold Canada Inc., formerly Kalo Gold Corp. (“KGC”), a company incorporated on June 8, 2020 under the Business Corporation Act of the Province of British Columbia.

**2. Continuance of Operations and Going Concern**

These consolidated 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.

As at November 30, 2022, the Company had not advanced its exploration and evaluation assets to commercial production, is not able to finance its day-to-day activities through operations, had an accumulated deficit of \$15,417,356 and insufficient financial resources to achieve profitable operations or become cash flow positive, and the management of the Company cannot provide assurance that the Company will ultimately achieve profitable operations or become cash flow positive or raise additional debt and/or equity capital to finance that objective. If the Company is unable to raise additional capital in the future, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favorable terms and/or pursue other remedial measures. These material uncertainties cast significant doubt about the Company’s ability to continue as a going concern. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds from and/or raise equity capital or borrowings sufficient to meet current and future obligations.

The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Management intends to finance mineral property acquisition, exploration and general administration costs over the next twelve months from proceeds of private placements of its common shares and by receiving contributions from its shareholders.

**KALO GOLD CORP.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED NOVEMBER 30, 2022 and 2021**

*(expressed in Canadian Dollars)*

**3. Basis of Preparation and Statement of Compliance**

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”), has issued by the IASB. Accordingly, certain information normally included in annual financial statements prepared in accordance with IFRS, as issued by the IFRS has been omitted or condensed. The unaudited condensed interim consolidated financial statements should be read in conjunction with the Corporation’s audited consolidated financial statements for the year ended August 31, 2022.

These financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit and loss, which are stated at their fair values. In addition, these financial statements have been prepared using the accrual basis of accounting. The accounting policies set out in Note 4 have been applied consistently by the Corporation during the periods presented.

The Company’s financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value, and are presented in Canadian Dollars except where otherwise indicated.

Where fair value is used to measure assets and liabilities in preparing these financial statements, it is estimated at the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Fair values are determined from inputs that are classified within the fair value hierarchy defined under IFRS as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – Inputs for the asset or liability that are unobservable

**4. Significant Accounting Policies**

The Company’s accounting policies are the same as those applied in the Company’s annual consolidated financial statements for the year-ended August 31, 2022. These condensed interim consolidated financial statements should be read in conjunction with the Company’s most recent annual consolidated financial statements for the year ended August 31, 2022 except for as follows:

*Basis of Consolidation*

The Company’s consolidated financial statements include the accounts of the parent company and its subsidiaries. Subsidiaries are entities controlled by the Company, where control is achieved by the Company being exposed to, or having rights to, variable returns from its involvement with the entity and having the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are deconsolidated from the date that control ceases.

<b>Company</b>	<b>Place of Incorporation</b>	<b>Ownership</b>
Kalo Gold Corp.	Canada	Parent
Kalo Gold Canada Inc.	Canada	100%
Aloki Mining Limited	British Virgin Islands	100%
Tego Mining Limited	British Virgin Islands	100%
Kalo Exploration Pte Limited	Fiji	100%
1271985 B.C. Ltd	Canada	100%

All inter-company transactions, balances, income and expenses are eliminated on consolidation.

**KALO GOLD CORP.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED NOVEMBER 30, 2022 and 2021**

*(expressed in Canadian Dollars)*

**4. Significant Accounting Policies (continued)**

*Share-Based Compensation*

The Company may grant stock options and equity-settled share units to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured at the date of grant using the Black-Scholes option pricing model with an expense recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital. When vested options are forfeited or are not exercised at the expiry date the amount previously recognized in share-based compensation is transferred to deficit.

The fair value of equity-settled share units is measured on the date of grant with an expense recognized over the vesting period. When vested share units are forfeited the amount previously recognized in share-based compensation is transferred to deficit.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, Share based compensation is measured at the fair value of goods or services received.

**5. Acquisition of 1271895 B.C. Ltd.**

On September 1, 2022, Kalo and 1271895 B.C. Ltd. completed a share exchange agreement, whereby Kalo acquired 100% of the issued and outstanding shares of 1271895 B.C. Ltd. by issuing to former shareholders of 1271895 B.C. Ltd., 7,496,250 common shares of the Company (the "Acquisition"). The 7,496,250 common shares ("Axelgold Shares") are held in Escrow for one year.

Due to the one year trading restrictions of the Axelgold Shares, the consideration were valued using the Black Scholes option pricing model assuming a risk-free interest rate of 3.98% per annum, an expected life of 1 year, an expected volatility of 73% and no expected dividends. The fair value of the Axelgold Shares was determined to be \$217,200.

For accounting purposes, the Acquisition is considered to be an acquisition outside the scope of IFRS 3 Business Combinations since 1271895 B.C. Ltd., prior to the Acquisition, did not constitute a business. The Acquisition is accounted for in accordance with IFRS 2 Share based compensation whereby Kalo is deemed to have issued shares to acquire the net assets of 1271895 B.C. Ltd.

The allocation of the consideration transferred is summarized as follows:

<b>Purchase Price</b>	
7,496,250 common shares of Kalo	\$ 217,200
Total Purchase Price	\$ 217,200
<b>Allocation of Purchase Price</b>	
Mineral property	\$ 217,200
	\$ 217,200



**KALO GOLD CORP.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED NOVEMBER 30, 2022 and 2021**

(expressed in Canadian Dollars)

**6. Deposits**

	November 30, 2022	August 31, 2022
<b>Deposits</b>	\$ 50,086	\$ 46,813

As at November 30, 2022, the Company held a term deposit of the amount in \$82,500 FJD (August 31, 2022 - \$82,500 FJD) for an environmental bond with the Mineral Resource Department of Fiji for the Vatu Aurum Gold Project. An amount is required to either be held as a deposit or paid directly to the Mineral Resource Department of Fiji for the environmental bond in accordance with the budgeted exploration expenses.

**7. Exploration and Evaluation Asset**

	November 30, 2022	August 31, 2022
<b>Vatu Aurum Gold Project, Fiji</b>	\$ 1,304	\$ 1,304
<b>Axelgold Project, Canada</b>	217,200	-
	\$ 218,504	\$ 1,304

Kalo Exploration Pte Limited, a wholly owned subsidiary of the Company, owns Vatu Aurum Gold Project, Special Prospecting Licence (SPL) 1464 and 1511. Vatu Aurum is located in Vanua Levu, the second largest island (the North Island) of Fiji.

1271985 B.C. Ltd, a wholly owned subsidiary of the Company, owns 100% of the Axelgold Project located in Northern British Columbia. The Axelgold Project is subject to a 2% Net Smelter Returns Royalty ("NSR"). Up to 1% of the NSR can be repurchased by the Company at any time for \$1,000,000.

**8. Equipment**

	Office		Vehicles		Field Equipment		Total
<b>As at August 31, 2021</b>	\$	18,426	\$	99,375	\$	31,686	\$ 149,487
Additions		-		-		-	-
Foreign exchange		(96)		(517)		(165)	(778)
<b>As at November 30, 2021</b>	\$	18,330		98,858		31,521	148,709
<b>As at August 31 and November 30, 2022</b>	\$	26,305	\$	68,910	\$	135,584	\$ 230,799
<b>Accumulated depreciation</b>							
<b>As at August 31, 2021</b>	\$	(10,485)	\$	(62,497)	\$	(22,068)	\$ (95,050)
Depreciation		(349)		(1,522)		(2,191)	(4,062)
Foreign exchange		59		351		124	534
<b>As at November 30, 2021</b>	\$	(10,775)	\$	(63,668)	\$	(24,135)	\$ (98,578)
<b>As at August 31, 2022</b>		(12,590)	\$	(40,321)	\$	(38,243)	\$ (91,154)
Depreciation		(623)		(2,176)		(6,072)	(8,871)
<b>As at November 30, 2022</b>	\$	(13,213)	\$	(42,497)	\$	(44,315)	\$ (100,025)

**KALO GOLD CORP.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED NOVEMBER 30, 2022 and 2021**

*(expressed in Canadian Dollars)*

**8. Equipment (Continued)**

Net book value								
As at August 31, 2022	\$	13,715	\$	28,589	\$	97,341	\$	139,645
As November 30, 2022	\$	13,092	\$	26,413	\$	91,269	\$	130,774

**9. Accounts Payable and Accrued Liabilities**

	November 30, 2022	August 31, 2022
Accounts payable	\$ 772,282	\$ 425,321
Accrued liabilities	130,129	286,668
	\$ 902,411	\$ 711,989

As at November 30, 2022, included in accounts payable are amounts totalling \$425,932 (August 31, 2022 - \$242,099) due to related parties (Note 14).

**10. Loan liabilities**

On October 17, 2022, the Company obtained a loan of US\$15,000 (\$20,654 CAD) with an interest rate of 6% per annum. The loan is repayable on demand of the creditor. During the three months ended November 30, 2022, the Company accrued \$147 in interest. As at November 30, 2022, the loan liability is \$20,409.

**11. Share Capital**

**(a) Authorized Share Capital**

The Company is authorized to issue unlimited of common shares without par value.

**(b) Issued Share Capital**

During the three months ended November 30, 2022, the Company issued common shares as follows:

- On September 1, 2022, the Company issued 2,040,000 flow-through shares at a price of \$0.08 per share for gross proceeds of \$163,200. The amount of flow-through share liability associated with the flow-through shares was determined to be \$30,600 based on the difference between the fair value price per share of the flow-through shares and the market price at the time of closing of the financing. The remaining proceeds of \$132,600 are allocated to share capital. In connection with the offering, the Company incurred share issuance costs of \$856 in fees paid in cash. As at November 30, 2022, the Company has spent \$142,548 of the required flow-through spending of \$163,200. The total remaining flow-through spending balance is \$20,652.
- On September 1, 2022, the Company issued 7,496,250 common shares in connection to the acquisition of 1271895 B.C. Ltd. (Note 6).

**KALO GOLD CORP.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED NOVEMBER 30, 2022 and 2021**

*(expressed in Canadian Dollars)*

**11. Share Capital (Continued)**

**(b) Issued Share Capital (Continued)**

During the year ended August 31, 2022, the Company issued common shares as follows:

- On December 10, 2021, the Company issued 9,793,929 common shares for proceeds of \$2,056,725. In connection with the offering, the Company incurred share issuance costs of \$257,744 in fees paid in cash and a further \$56,700 for the fair value of the 492,936 finders warrants (Note 12 (d)).
- During the period ended May 31, 2022, the Company issued 176,425 common shares from the exercise of warrants for gross proceeds of \$17,643.

**(c) Stock Options**

The Company has a stock option plan whereby the Company 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 shares.

The changes in incentive share options outstanding are summarized as follow:

	<b>Weighted average exercise price</b>	<b>Number of shares issued or issuable on exercise</b>
Balance – August 31, 2021 and November 30, 2021	\$0.20	5,890,000
Balance – August 31, 2022	\$0.20	5,890,000
Stock options granted	0.05	1,400,000
Balance – November 30, 2022	\$0.17	7,290,000

On October 14, 2022, the Company issued 1,400,000 stock options expiring October 14, 2027 with an exercise price of \$0.05. The fair value of the options at the date of the grant was estimated using the Black-Scholes Option Pricing Model, assuming a risk-free interest rate of 3.98% per annum, an expected life of option of 5 years, an expected volatility of 110% and no expected dividends. The fair value of the options of \$62,600 has been recorded as share based payment expense. These stock options vest immediately upon grant.

**KALO GOLD CORP.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED NOVEMBER 30, 2022 and 2021**

*(expressed in Canadian Dollars)*

**11. Share Capital (Continued)**

**(c) Stock Options (Continued)**

Stock options outstanding and exercisable are summarized as follows:

Exercise Price	Options Outstanding			Options Exercisable	
	Number of Shares Issuable on Exercise	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number of Shares Issuable on Exercise	Weighted Average Exercise Price
\$0.34	120,000	8.26	\$0.34	120,000	\$0.34
\$0.26	900,000	3.65	\$0.26	900,000	\$0.26
\$0.20	4,270,000	8.24	\$0.20	4,270,000	\$0.20
\$0.10	600,000	7.25	\$0.10	600,000	\$0.10
\$0.05	1,400,000	4.87	\$0.05	1,400,000	\$0.05
	7,290,000	6.95	\$0.17	7,290,000	\$0.19

**(d) Warrants**

Details regarding warrants issued and outstanding are summarized as follows:

	Weighted Average exercise price	Number of shares issued or issuable on exercise
Balance – August 31, 2021 and November 30, 2021	\$0.10	176,425
Balance - August 31, 2022 and November 30, 2022	\$0.25	492,936

The expiry of warrants are as follows:

Grant Date	Expiry Date	Number of warrants issued	Weighted Average Exercise Price
December 10, 2021	December 10, 2023	492,936	\$0.25
		492,936	\$0.25

On December 10, 2021, 492,936 warrants expiring two years from the issuance have been valued using the Black-Scholes Option Pricing Model, assuming a risk-free interest rate of 0.75% per annum, an expected life of warrants of 2 years, an expected volatility of 114% and no expected dividends. The fair value of the warrants was determined to be \$56,700 and has been recorded as a share issuance cost in equity.

**(e) Escrow**

Pursuant to the RTO transaction on February 25, 2021, 20,825,000 common shares of the Company were held in escrow.

Pursuant to the Acquisition on September 1, 2022, 7,496,250 common shares of the Company were held in escrow.

**KALO GOLD CORP.**  
**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED NOVEMBER 30, 2022 and 2021**

(expressed in Canadian Dollars)

**11. Share Capital (Continued)**

**(e) Escrow**

As at November 30, 2022, 16,867,500 common shares remain in escrow.

**(f) Restricted Share Units**

On October 14, 2022, the Company issued 3,000,000 Restricted Share Units ("RSU") to the CEO of the Company. 2,000,000 RSUs vest in 12 months from the date of grant, 500,000 RSUs vest in 18 months from the date of grant, and the remaining 500,000 RSUs vest 12 months from the date of grant. The 3,000,000 RSUs are valued at the date of grant at \$165,000, of which, \$18,291 has been recorded as a share-based payment.

**12. Exploration and Evaluation Expenses**

Exploration and evaluation expenses for the three months ended November 30, 2022 are as follows:

	Axelgold Project, Canada		Vatu Aurum Gold Project, Fiji		Total
Assay	\$ 4,326	\$	-	\$	4,326
Camp	5,000		-		5,000
Geology	15,210		876		16,086
Geophysics	96,956		-		96,956
Operating	19,556		2,711		22,267
Overhead	1,500		887		2,387
	\$ 142,548	\$	4,474	\$	147,022

Exploration and evaluation expenses for the three months ended November 30, 2021 are as follows:

	Axelgold Project, Canada		Vatu Aurum Gold Project, Fiji		Total
Assay	\$ -	\$	45,418	\$	45,418
Camp	-		5,231		5,231
Geology	-		29,496		29,496
Geophysics	-		2,813		2,813
Operating	-		75,257		75,257
Overhead	-		2,098		2,098
	\$ -	\$	160,313	\$	160,313

**13. Financial Instruments**

Financial Assets and Liabilities

The fair value of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The Company considers that the carrying amount of all its financial assets and financial liabilities recognized at amortized cost in the financial statements approximates their fair value due to the demand nature or short term maturity of these instruments.

### **13. Financial Instruments (Continued)**

#### Financial Instrument Risk Exposure

The Company's financial instruments expose it to a variety of financial risks: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk. These risks arise from the normal course of operations and all transactions are undertaken to support those operations. Risk management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates the financial risks in co-operation with the Company's operating units. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance, in the context of its general capital management objectives.

#### Concentration of Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

#### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support its normal operating requirements.

The Company coordinates this planning and budgeting process with its financing activities through the capital management process.

As at November 30, 2022, the Company has a cash balance of \$98,885 (August 30, 2022 - \$70,608) to settle current liabilities of \$902,411 (August 30, 2022 - \$750,204). All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

#### 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 exposed to interest rate risk of cash balances. The Company periodically monitors cash balances and is of the opinion that it has no significant exposure to interest rate risk through its other financial instruments.

#### Currency Risk

Currency risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities. The Company is exposed to foreign currency risk on fluctuations related to cash, deposits and other current assets, and accounts payable and accrued liabilities that are denominated in Fijian Dollars. The Company has not used derivative instruments to reduce its exposure to foreign currency risk nor has it entered into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations. Net assets exposed to foreign currency risk in FJD is \$134,841 (\$81,862 CAD). A 5% change in the CAD-FJD foreign exchange rate would affect comprehensive loss by approximately \$3,562 (August 31, 2022 - \$6,990).

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**14. Related Party Transactions**

The Company's related parties include key management personnel and companies related by way of directors or shareholders in common.

**(a) Key Management Personnel Compensation**

During the three months ended November 30, 2022 and 2021, the Company paid and/or accrued the following fees to key management personnel:

	Three months ended November 30, 2022	Three months ended November 30, 2021
<b>Consulting Fees</b>		
Management Director	\$ 172,494	\$ 90,627
	-	-
<b>Share based compensation</b>		
Management Director	\$ 57,729	\$ -
	6,260	-
	\$ 236,483	\$ 90,627

**(b) Due to/from Related Party**

As at November 30, 2022, the Company has accounts payable of \$425,932 (August 31, 2022 – \$242,099) due to management and directors of the Company.

**15. Segmented Information**

The breakdown of assets and liabilities by geographic area as at November 30, 2022 is as follows

	Canada	Fiji	BVI	Consolidated
Assets	\$ 402,662	\$ 199,430	\$ 1,541	\$ 603,633
Liabilities	\$ 911,957	\$ 10,617	\$ 4,119	\$ 926,693

The breakdown of assets and liabilities by geographic area as at August 31, 2022 is as follows

	Canada	Fiji	BVI	Consolidated
Assets	\$ 239,448	\$ 212,538	\$ 2,701	\$ 454,687
Liabilities	\$ 725,574	\$ 8,717	\$ 15,913	\$ 750,204

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**15. Segmented Information (Continued)**

The breakdown of operating expenses by geographical area for the three months ended November 30, 2022 and 2021 are as follows:

<b>For the period ended November 30,</b>	<b>2022</b>		<b>2021</b>	
Operating expenses for the period:				
Canada	\$	513,939	\$	354,216
Fiji		25,511		183,796
BVI		7,881		7,781
Consolidated	\$	547,331	\$	545,793

**16. Subsequent event**

- Subsequent to the three months ended November 30, 2022, the Company closed two tranches of private placements and issued common shares as follows:

On December 29, 2022, the Company issued 12,500,000 common shares for gross proceeds of \$625,000 in the first tranche of the private placement.

On January 11, 2023, the Company issued 27,500,000 common shares for gross proceeds of \$1,375,000 in the second tranche of the private placement.

In connection with the private placements, the Company paid finders' fees of \$82,600 and issued 1,652,000 finders warrants, exercisable at a price of \$0.05 per warrant. Each warrant expires 24 months from the date of issuance.

- On January 11, 2023, the Company issued 5,384,611 shares for gross proceeds of \$350,000.
- On January 11, 2023, the Company issued 4,575,000 stock options with an exercise price of \$0.10 per share. The stock options are exercisable for a period of 5 years from the date of grant and vest immediately.
- On January 16, 2023, Company issued an aggregate of 5,000,000 Deferred Share Units (DSUs) to certain officers, directors, and advisors of the Company. The DSUs will vest on January 16, 2024. Each DSU represents the right to receive one common share in the share capital of the Company.