

Condensed Interim Consolidated Financial Statements

Stroud Resources Ltd.

For the three months ended March 31, 2022 and March 31, 2021

Management's Responsibility for the Consolidated Financial Statements

The accompanying condensed interim consolidated financial statements of Stroud Resources Ltd. (the "Company") are the responsibility of management and have been approved by the Board of Directors.

The condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the annual consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the date of the consolidated statements of financial position. In the opinion of management, the condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Howard Atkinson"
Howard Atkinson
Director

"Mirsad Jakubovic"
Mirsad Jakubovic
Chief Financial Officer

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[Expressed in Canadian dollars]

	March 31, 2022 \$	December 31, 2021 \$
ASSETS		
Current		
Cash and cash equivalents	540,482	997,635
Accounts receivable	42,260	35,831
Prepaid expenses and sundry assets	130,744	170,500
Total current assets	713,486	1,203,966
 Oil and gas interests, net of accumulated depletion of \$516,405 [2020 - \$516,405] [note 5]	 —	 —
Total assets	713,486	1,203,966
 LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities	109,674	143,242
Total current liabilities	109,674	143,242
 Shareholders' equity (deficiency) [note 8]		
Share capital	25,393,588	25,393,588
Reserves	4,003,461	4,003,462
Deficit	(28,794,968)	(28,338,057)
Accumulated other comprehensive income	1,731	1,731
Total shareholders' equity (deficiency)	603,812	1,060,724
Total liabilities and shareholders' equity	713,486	1,203,966

Going Concern [note 2]

Commitments and Contingencies [notes 6, and 11]

See accompanying notes

On behalf of the Board:

"Mirsad Jakubovic"
Director

"Howard Atkinson"
Director

Stroud Resources Ltd.

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND
COMPREHENSIVE LOSS**

[Expressed in Canadian dollars]

For the three months ended March 31

	2022 \$	2021 \$
OIL AND GAS OPERATIONS		
Revenue, net of royalties	14,964	7,732
Operating expenses	7,897	5,026
Income from oil and gas operations	7,067	2,706
 EXPENSES		
Administrative fees [note 7]	15,000	15,000
Business development	13,102	5,686
Director fees [note 7]	15,000	15,000
Exploration costs [notes 6]	403,576	270,538
Licences and fees	9,009	10,187
Share based compensation [note 7 and 3 and 8(c)]	—	75,000
Office and general	2,306	4,156
Professional fees	5,700	21,568
Rent	834	942
Total administrative expenses	464,527	418,077
Loss before interest income	(457,460)	(415,371)
Interest income	549	6,207
Net loss and comprehensive loss for the period	(456,911)	(409,164)
 Basic and diluted loss per share	(\$0.009)	(\$0.008)
 Weighted average number of common shares outstanding [000's]		
Basic	50,104	49,504
Diluted	50,104	49,504

See accompanying notes

Stroud Resources Ltd.

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF
CASH FLOWS**

[Expressed in Canadian dollars]

For the three months ended March 31

	2022 \$	2021 \$
OPERATING ACTIVITIES		
Net loss for the period	(456,911)	(409,164)
<i>Add items not involving cash:</i>		
Share based compensation [note 8(c)]	—	75,000
	(456,911)	(334,164)
Net change in non-cash working capital balances related to operations	(242)	25,868
Cash provided by (used in) operating activities	(457,153)	(308,296)
FINANCING ACTIVITIES		
Advances from shareholders	—	(4,411)
Cash provided by financing activities	—	(4,411)
Net increase (decrease) in cash and cash equivalents during the year	(457,153)	(312,707)
Cash and cash equivalents, beginning of period	997,635	4,271,143
Cash and cash equivalents, end of period	540,482	3,958,436

Supplemental non-cash items

See accompanying notes

Stroud Resources Ltd.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICENCY)

[Expressed in Canadian dollars]

	Common shares		Shares to be issued		Other reserves	Deficit	Accumulated other comprehensive income	Total shareholders' equity (deficiency)
	#	\$	#	\$	\$	\$	\$	\$
December 31, 2020	49,054,449	24,986,395	450,000	237,600	3,980,054	(24,887,871)	1,731	4,317,909
Shares to be issued	450,000	237,600	(450,000)	(237,600)		—	—	—
Stock-based compensation expense	—	—	—	—	75,000	—	—	75,000
Net loss for the period	—	—	—	—	—	(334,164)	—	(334,164)
March 31, 2021	49,504,449	25,223,995	—	—	4,055,054	(25,222,035)	1,731	4,058,745
Net loss for the period	—	—	—	—	—	(638,474)	—	(638,474)
June 30, 2021	49,504,449	25,223,995	—	—	4,055,054	(25,860,509)	1,731	3,420,271
Exercise of warrants	500,000	138,736	—	—	(38,736)	—	—	100,000
Net loss for the period	—	—	—	—	—	(988,198)	—	(988,198)
September 30, 2021	50,004,449	25,362,731	—	—	4,016,318	(26,848,707)	1,731	2,532,073
Exercise of options	100,000	30,857	—	—	(12,857)	—	—	18,000
Net loss for the year	—	—	—	—	—	(1,489,350)	—	(1,489,350)
December 31, 2021	50,104,449	25,393,588	—	—	4,003,461	(28,338,057)	1,731	1,060,723

Stroud Resources Ltd.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in Canadian dollars unless otherwise noted]

For the Three Months Ended March 31, 2022 and 2021

1. CORPORATE INFORMATION

Stroud Resources Ltd. [the "Company" or "Stroud"] was incorporated on March 18, 1983 under the laws of the Province of Ontario. The Corporation's common shares are listed on the Toronto Stock (Ventures) Exchange trading under the symbol SDR. Stroud is an international mineral exploration company with an exploration portfolio in Canada and Mexico. The Company holds its interest in its Mexican properties through its wholly owned subsidiary, Compañía Minera San Diego y La Espanola S.A. de C.V. ["Compañía Minera"], which holds prospecting and exploration permits for the properties. The address of the Company's registered office is 1090 Don Mills Rd. Suite 404, Toronto, Ontario, M3C 3R6, Canada.

2. CONTINUANCE OF OPERATIONS AND GOING CONCERN

The Company has not yet determined whether its properties contain mineral reserves that are economically recoverable. The recoverability of the amounts expended on exploration activities is dependent upon the existence of economically recoverable resources, the ability of the Company to obtain all necessary permits and raise financing to complete the exploration and development, and future profitable production or proceeds from the disposition of such properties. Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, expropriation of properties, currency exchange fluctuations and restrictions and political uncertainty. These risks may adversely affect the investment in the properties and may result in the loss of all or part of the Company's mineral properties.

These condensed interim consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. The Company has an accumulated deficit of \$28,794,968 as at March 31, 2022 [December 31, 2021 – \$28,338,057] of which a net loss of \$456,911 was incurred during the current period [2021 – \$409,164]. As at March 31, 2022, the Company had positive working capital of \$603,812 [December 31, 2021 – positive \$1,060,724].

In order to continue its operations beyond that, the Company requires additional financing which, if not raised, would result in the curtailment of activities, and to the extent appropriate counterparties can be found, the sale, option or joint venturing of assets may be warranted. The Company's ability to continue to meet its obligations and carry out its planned exploration activities is uncertain and dependent upon its ability to obtain further funds. There can be no assurances that the Company will be able to raise sufficient financing or on terms acceptable to management.

If the going concern assumption is not appropriate, adjustments will be necessary to carrying amounts and classification of assets, liabilities and expenses in the consolidated financial statements. Such adjustments could be material.

Stroud Resources Ltd.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in Canadian dollars unless otherwise noted]

For the Three Months Ended March 31, 2022 and 2021

Novel Coronavirus ("COVID-19")

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The economic effects within the organization's environment and in the global markets, disruption in supply chains, and measures introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have material impact on the organization's future operations and financial results.

The Company's operations have been significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. During 2020, the Company's drilling permits were delayed over 5 months due to shutdowns related to COVID-19. The Company cannot accurately predict the impact COVID-19 will have on future operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

The Company cannot estimate the length and gravity of the COVID-19 pandemic. However, the Company is continually monitoring and assessing new information and recommendations from health and government authorities as it becomes available and will continue to respond accordingly.

3. BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"].

These financial statements were approved by the Board of Directors on May 30, 2022

Significant accounting judgments, estimates, and assumptions

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Actual results may differ from these estimates.

[a] Principles of consolidation

The condensed interim consolidated financial statements reflect the financial position and results of operations of the Company and its wholly owned subsidiary Compañía Minera. All intercompany transactions and balances have been eliminated. Subsidiaries are entities over which the Company has control, where control is defined to exist when the Company is exposed to variable returns from its involvement with the investee and has the ability

Stroud Resources Ltd.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in Canadian dollars unless otherwise noted]

For the Three Months Ended March 31, 2022 and 2021

to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases.

[b] Comprehensive income (loss)

Comprehensive loss is comprised of net loss and other comprehensive loss. Other comprehensive loss is comprised of the cumulative translation adjustment of the Company's wholly-owned subsidiary Compañia Minera. The components of comprehensive loss, if any, are disclosed in the consolidated statements of loss and comprehensive loss.

[c] Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks, and short-term fixed income deposits with original maturity dates shorter than three months. As at March 31, 2022, the Company had \$540,482 in cash and cash equivalents [December 31, 2021 - \$997,635].

[d] Exploration and evaluation assets

Exploration expenditures are expensed as incurred.

Where a project is determined to be technically viable and commercially feasible and a decision has been made to proceed with development with respect to a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is reclassified as a development asset in property, plant and equipment. A project is considered to be technically viable and commercially feasible when a full technical report is prepared, construction financing is arranged, and board approval to proceed with construction is obtained.

[e] Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. If impairment indicators are present, the Company compares the carrying value of an asset to its estimated net recoverable amount, based on estimated future cash flows to determine whether there is any impairment. The depreciation method, useful life and residual values are assessed annually.

[f] Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued at the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued at the grant date, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received.

The amount expensed for stock option compensation is based on the application of the Black-Scholes option pricing model, which is highly dependent on the expected volatility of the Company's registered shares and the expected life of the options. On exercise, the original value recorded for options is reclassified to share capital with the exercise price received. On expiry, the original value recorded for options remains in reserves.

Stroud Resources Ltd.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in Canadian dollars unless otherwise noted]

For the Three Months Ended March 31, 2022 and 2021

[g] Determination of reserves and resources

The Company uses the services of experts to estimate the indicated and inferred resources of its mineral properties in Mexico and oil and gas interests in Canada. These experts express an opinion based on certain technological and legal information as prepared by management as being current, complete and accurate as of the date of their calculations and in compliance with National Instrument 43-101. These estimated resources are used in the evaluation of the carrying values, amortization rates and the timing of cash flows.

[h] Income taxes

Current income taxes are recognized for the estimated income taxes payable for the current year. Deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and on unclaimed losses carried forward and are measured using the substantively enacted tax rates that are expected to be in effect when the differences are expected to reverse, or losses are expected to be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized, or the liability is settled, based on tax rates [and tax laws] that have been enacted or substantively enacted at the reporting date.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in Canadian dollars unless otherwise noted]

For the Three Months Ended March 31, 2022 and 2021

Deferred tax assets and liabilities are offset when there is a legally enforceable right to settle current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

[i] Provision for environmental rehabilitation

If required, a provision will be made for asset retirement, restoration and for environmental rehabilitation costs, which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas, in the financial period when the related environmental disturbance occurs, resulting in a legal or constructive obligation to the Company. The provision would be based on the estimated future costs using information available at the consolidated statement of financial position date. The provision would be discounted using a current market-based pre-tax discount rate and the accretion of the discount would be included in amortization and accretion expense. At the time of establishing the provision, a corresponding asset would be capitalized, where it gives rise to a future benefit, and depreciated over future production from the mine to which it relates.

Any provision would be reviewed on an annual basis for changes to obligations, legislation or discount rates that effect change in cost estimates or life of operations. The cost of the related asset would be adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate, and the adjusted cost of the asset would be depreciated prospectively. As at March 31, 2022 and 2021, management has estimated that no material provision is required for any environmental rehabilitation.

[j] Foreign currency

The functional currency of the Company is the Canadian dollar and the functional currency of the Company's subsidiary is the Mexican peso. The condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of loss.

The results and financial position of entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

Stroud Resources Ltd.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in Canadian dollars unless otherwise noted]

For the Three Months Ended March 31, 2022 and 2021

- assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each consolidated statement loss and comprehensive loss are translated at average exchange rates [unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the date of the transaction]; and
- all resulting exchange differences are recognized as a separate component of equity [accumulated other comprehensive loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are recorded in equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated statements of loss as part of the gain or loss on disposal or sale.

[k] Financial instruments and liabilities

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either FVPL or FVOCI, and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Cash and cash equivalent and accounts receivable are measured at amortized cost.

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by applying any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of income (loss).

Subsequent measurement – financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of loss. The Company does not measure any financial assets at FVPL.

Stroud Resources Ltd.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in Canadian dollars unless otherwise noted]

For the Three Months Ended March 31, 2022 and 2021

Subsequent measurement – financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive loss in the consolidated statements of comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the consolidated statements of loss when the right to receive payments is established.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets

The Company's only financial assets subject to impairment are other accounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable are grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accruals and advances from shareholders which are each measured at amortized cost. All financial liabilities are recognized initially at fair value.

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the consolidated statements of loss.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in Canadian dollars unless otherwise noted]

For the Three Months Ended March 31, 2022 and 2021

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of loss.

[l] Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year.

[m] Significant accounting judgments

The critical judgments the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognized in the Company's condensed interim consolidated financial statements, are related to the economic recoverability of the oil and gas properties (note 5) and functional currency determination for the Company and its subsidiary (note 3(j)), valuation of provisions for environmental rehabilitation (note 3(i)), determination of income, value added, withholding and other taxes (note 3(h)), and assumption of going concern (note 2).

[n] Significant accounting estimates

The preparation of these condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the consolidated statements of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- going concern assumption (note 2);
- impairment of non-financial assets (notes 3, (e), (q), and note 5);
- the inputs used in accounting for share-based compensation expense in the consolidated statements of loss and comprehensive loss (notes 3(f) and 9(c));
- the provision for income taxes which is included in the consolidation statements of loss and comprehensive loss and composition and valuation of deferred income tax assets and liabilities included in the consolidated statements of financial position (note 3(h) and 11); and
- the inputs used in determining the various commitments and contingencies accrued in the consolidated statements of financial position (notes 6 and 13).

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in Canadian dollars unless otherwise noted]

For the Three Months Ended March 31, 2022 and 2021

[o] Flow-through shares

Flow-through shares issued are recognized in share capital based on the quoted market price of the Company's shares on the date of issue. Any premium between the amount recognized in common shares and the amount the investor pays for the shares is recognized as a deferred gain, which is recognized in net income as gain on flow-through share premium when the eligible expenditures are renounced and the related spending has occurred. The Company also indemnifies the subscribers of flow-through shares against any tax related amounts that become payable as a result of the Company not fulfilling its responsibility pursuant to the subscription agreements between the Company and the subscribers.

[p] Other accounting changes

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2022. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company is currently evaluating the impact of these new standards.

IAS 1 – Presentation of Financial Statements

On January 23, 2020, the IASB issued an amendment to IAS 1 *Presentation of Financial Statements* providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or non-current depends on the rights existing at the end of the reporting period as opposed to the expectations of exercising the right for settlement of the liability. The amendments further clarify that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The amendments are effective for annual periods beginning on or after January 1, 2023 (for the Corporation's annual period ended December 31, 2024) and are to be applied retrospectively, with early adoption permitted. The Corporation is currently assessing the financial impact of the amendments and expects to apply the amendments at the effective date.

IAS 16 – Property, Plant and Equipment

On May 14, 2020, the IASB issued an amendment to IAS 16 *Property, Plant and Equipment* to prohibit deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling such items, and the cost of producing those items are to be recognized in profit and loss. The amendments are effective for annual periods beginning on or after January 1, 2022 (for the Corporation's annual period ended December 31, 2023) with early adoption permitted. The amendment is to be applied retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the earliest period presented in the financial statements in the year in which the amendments are first applied. The Corporation is currently assessing the financial impact of the amendment and expects to apply the amendment at the effective date.

IFRS 9 – Financial Instruments

On May 14, 2020, the IASB issued an amendment to IFRS 9 *Financial Instruments* clarifying which fees to include in the test in assessing whether to derecognize a financial liability. Only those fees paid or received between the borrower and the lender, including fees paid or received by either the entity or the lender on the other's behalf are included. The amendment is effective for annual periods beginning on or after January 1, 2022 (for the Corporation's annual period ended December 31, 2023) with early adoption permitted. The Corporation is currently assessing the financial impact of the amendment and expects to apply the amendment at the effective date.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in Canadian dollars unless otherwise noted]

For the Three Months Ended March 31, 2022 and 2021

[q] Impairment of long-lived assets

At each reporting date, the carrying amounts of the Company's long-lived assets, if any, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

For the purposes of impairment testing, long-lived assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

[r] Oil and gas interests

Costs capitalized include land acquisition costs, geological and geophysical expenditures, rentals on undeveloped properties and drilling and overhead expenses related to exploration and development activities. Revenue, net of royalties from oil and gas operations is recognized when title passes from the Company to the customer, generally at the time of shipment.

The costs related to oil and gas interests are depleted and amortized on a unit-of-production basis. The carrying values of oil and gas assets are reviewed periodically, when impairment factors exist, for possible impairment. The recoverable amounts of oil and gas assets are determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's oil and gas assets and the discount rate.

[s] Provisions

The Company records provisions which include various estimates, including the Company's best estimate of the future costs associated with settlement of the obligation, with discount rates applied. Such estimates are necessarily calculated with reference to external sources, all of which are subject to annual review and change.

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and advances from shareholders. Unless otherwise noted, the Company is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

Stroud Resources Ltd.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in Canadian dollars unless otherwise noted]

For the Three Months Ended March 31, 2022 and 2021

Fair value

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and advances from shareholders approximates their carrying values due to their short-term maturity.

Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the consolidated statement of financial position dates.

[i] Cash and cash equivalents

The Company minimizes its exposure to credit risk by keeping the majority of its cash and cash equivalents as cash on deposit with a major Canadian chartered bank. Management expects the credit risk to be minimal.

[ii] Receivables

Management does not expect these counterparties to fail to meet their obligations. Accounts receivable are in good standing as of March 31, 2022. The Company does not have receivables that it considers impaired or otherwise uncollectible.

Foreign currency risk

The prices paid by the Company for some services and supplies are paid in U.S. dollars or Mexican pesos and the Company generally raises funds in Canadian dollars. As at March 31, 2022, the Company believes the currency risk is limited and not a risk to be hedged at the present time.

Interest rate risk

Interest rate risk arises because of changes in market interest rates. The Company is exposed to interest rate risk on short-term advances and advances from shareholders. Due to the short-term nature of these borrowings and the fixed nature of their interest rates, the Company believes interest rate risk is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities as they come due. The Company's objective is to maintain sufficient liquid resources to meet operational requirements. As at March 31, 2022, the Company had cash and cash equivalents of \$540,482 [December 31, 2021 - \$997,635]. The Company will raise additional monies to fund future exploration programs, but there can be no assurance that it will be successful in these efforts (note 2).

Capital risk

The Company's objectives when managing capital are: [i] to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and provide returns for shareholders, and [ii] to maintain a flexible capital structure, which optimizes the cost of capital at an acceptable risk. The Company includes the components of shareholders' equity, cash and cash equivalents and short-term investments, if any, in the management of capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may

Stroud Resources Ltd.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in Canadian dollars unless otherwise noted]

For the Three Months Ended March 31, 2022 and 2021

attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and short-term investments.

To facilitate the management of its capital requirements, the Company prepares forecasts or expenditure budgets for its activities that are used to monitor performance. Variances to plan will result in adjustments to capital deployment subject to various factors and industry conditions. The Company's activities and associated forecasts or budgets are approved by the Board of Directors.

The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2021 and the three months ended March 31, 2022. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV"), which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of March 31, 2022, the Company believes it is compliant with the policies of the TSXV.

The Company's investment policy is to invest its cash in highly liquid, short-term, interest-bearing investments with maturities of less than a year from the original date of acquisition, selected with regard to the expected timing of expenditure from operations.

Commodity price risk

The ability of the Company to explore and evaluate its exploration and evaluation properties and the future profitability of the Company are directly related to the price of certain minerals and natural gas. The Company monitors commodity prices to determine the appropriate course of action to be taken.

5. OIL AND GAS INTERESTS

The Company holds a 3.75% interest in six oil and gas producing properties in Alberta. The properties are currently operated by Gain Energy Inc. The Company's proportionate share of the revenue from these properties, net of operating expenses, is received from the operator on a monthly basis.

6. MINERAL PROPERTIES

The Company has exploration and royalty rights in the following mineral properties.

Santo Domingo Project

The Company has a 100% interest in Compañía Minera. Compañía Minera owns certain mineral concessions in the state of Jalisco, Mexico. The Company is obligated to pay a 2.5% royalty to a maximum of \$500,000.

An additional amount of USD \$1,160,00 (approximately \$1,156,000 Canadian) is to be paid in quarterly installments to a prior owner, if and when revenue is generated from minerals extracted by Compañía Minera, commencing three months after the start of commercial production. Each quarterly installment will be equal to 0.5% of the net smelter return [defined as revenue actually received by Compañía Minera from the sale of smelter minerals].

Stroud Resources Ltd.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in Canadian dollars unless otherwise noted]

For the Three Months Ended March 31, 2022 and 2021

In order to maintain the Company's mineral concessions and titles in good standing, the Company is required to maintain a prescribed minimum of annual exploration expenditure and pay fees semi-annually to the Secretaria de Economia in Mexico. Failure to make the annual concession payments or incur the minimum annual exploration expenditures, to the satisfaction of the Mexican authorities, or a determination that the expenditures incurred are not qualifying expenditures, may result in the cancellation or forfeiture of the mineral concessions. Management believes that all payments made are appropriate and current.

In November 2017, the Company signed an agreement with the owners of the surface rights on the Santo Domingo property to give access to the property until 2023 and provide potential for renewal of the access rights. Concession payments due under this agreement total approximately \$8,600 due in November 2022.

Hislop Project

The Company holds a net smelter royalty ("NSR") of 0.5% on properties located in Hislop Township, Ontario. The property owner of the Hislop Project may purchase the royalty for \$1,000,000.

Leckie Project

The Company holds a 1% NSR on the Leckie Project. Temagami Gold Inc. ("Temagami"), the property owner of the Leckie Project can purchase the NSR for \$500,000 for each 0.5% of royalty. The Company holds 750,000 common shares of Temagami. As at March 31, 2022, Temagami is a privately held corporation and the value of the shares was estimated to be nominal. The Company attributed a value of \$nil to the shares of Temagami which it holds.

7. RELATED PARTY TRANSACTIONS

The Company incurred the following related party transactions:

In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key management of the Company for the three months ended March 31, 2022 and 2021 was as follows:

	2022 \$	2021 \$
Administrative and professional fees	15,000	15,000
Director fees	15,000	15,000
Stock-based compensation expense	—	75,000
	30,000	105,000

Stroud Resources Ltd.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in Canadian dollars unless otherwise noted]

For the Three Months Ended March 31, 2022 and 2021

8. SHAREHOLDERS' EQUITY

[a] Share capital

Authorized share capital consists of unlimited common shares with no par value.

The continuity of share capital is as follows:

	Shares	Amount
	#	\$
Balance at December 31, 2019	36,835,005	21,869,682
Shares issued for private placement (i)	7,500,000	3,000,000
Share issuance costs (i)	—	(231,872)
Issuance of warrants (i)	—	(528,746)
Exercise of warrants (ii)	4,444,444	759,555
Exercise of stock options (iii)	275,000	117,776
Balance at December 31, 2020	49,054,449	24,986,395
Shares to be issued from previous year(iv)	450,000	237,600
Exercise of warrants (v)	500,000	138,736
Exercise of stock options (vi)	100,000	30,857
Balance, March 31, 2022 and December 31, 2021	50,104,449	25,393,588

- i. During 2020, the Company issued 7,500,000 units for gross proceeds of \$3,000,000 to one investor. Each unit is comprised of 1 common share and 1/2 warrant. Each full warrant allows the holder to purchase one common share at a price of \$0.60 for a period of 12 months. See note 8 and note 9(b).
- ii. During 2020, 4,444,444 warrants were exercised for gross proceeds of \$666,667.
- iii. During 2020, 725,000 options were exercised for gross proceeds of \$472,500. The Company issued 275,000 common shares during the 2020 and 450,000 common shares subsequent to December 31, 2020 (Note 9(e)).
- iv. In January 2021, the Company issued 450,000 in settlement of options previously exercised at \$0.50 per share.
- v. During 2021, 500,000 warrants were exercised at \$0.20 per share for gross proceeds of \$100,000.
- vi. During 2021, 100,000 options were exercised at \$0.18 per share for gross proceeds of \$18,000.

[b] Warrants

The continuity of share purchase warrants outstanding is as follows:

	Number	Value (\$)
Balance at December 31, 2019	5,377,777	318,250
Issuance with private placement (i)	3,750,000	432,223
Issuance of finder's warrants (ii)	525,000	96,523
Exercise of warrants (iii)	(4,444,444)	(92,889)
Balance at December 31, 2020	5,208,333	754,107
Expiry of warrants (iv)	(4,183,333)	(465,795)
Exercise of warrants (vi)	(500,000)	(38,736)
Balance at March 31, 2022 and December 31, 2021	525,000	249,576

Stroud Resources Ltd.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in Canadian dollars unless otherwise noted]

For the Three Months Ended March 31, 2022 and 2021

- i. On July 30, 2020, the Company issued 3,750,000 warrants allowing the holder to purchase 3,750,000 common shares for \$0.60 per share until July 30, 2021. The estimated fair value of the warrants of \$523,122 was estimated using a Black-Scholes option pricing model with the following assumptions: share price at issuance of \$0.40, a risk-free interest rate of 1.72%, an expected life of 1 year, an exercise price of \$0.60, a volatility based on comparable companies of 141% and expected dividend rate of nil.
- ii. On July 30, 2020, the Company issued 525,000 warrants allowing the holder to purchase 525,000 common shares for \$0.60 per share until July 30, 2022. The estimated fair value of the warrants of \$129,383 was estimated using a Black-Scholes option pricing model with the following assumptions: share price at issuance of \$0.40, a risk-free interest rate of 1.35%, an expected life of 2 years, an exercise price of \$0.60, a volatility based on comparable companies of 138% and expected dividend rate of nil.
- iii. During 2020, 4,444,444 warrants were exercised for gross proceeds of \$666,667. The weighted average exercise price of these warrants was \$0.15.
- iv. During 2021, 4,183,333 warrants expired without exercise.
- v. During 2021, 500,000 warrants were exercised at \$0.20 per share for gross proceeds of \$100,000.

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

Date of Issue	Weighted Average Exercise Price	Expiry Date	Warrants Outstanding	Warrants Exercisable	Remaining Life
July 30, 2020	\$0.60	July 30, 2022	525,000	525,000	0.30 years

[c] Stock options

On January 12, 2021, the Company issued 150,000 options to a Director of the Corporation.

The estimated fair value of the options granted of \$75,000 was estimated using a Black-Scholes option pricing model with the following assumptions:

	Options Granted
Share price	\$0.55
Exercise price	\$0.55
Risk-free interest rate	1.60%
Expected life in years	5 years
Expected volatility (based on comparable companies)	200%
Expected dividend yield	0.0%

Stroud Resources Ltd.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

[Expressed in Canadian dollars unless otherwise noted]

For the Three Months Ended March 31, 2022 and 2021

The continuity of the options outstanding is as follows:

	2022		2021	
	Number	Weighted average exercise price	Number	Weighted average exercise price
	#	\$	#	\$
Outstanding, beginning of period	555,000	0.28	1,255,000	0.37
Granted	—	—	150,000	0.50
Exercised	—	—	(100,000)	0.18
Expired	—	—	(750,000)	0.50
Outstanding, end of period	555,000	0.28	555,000	0.28
Exercisable, end of period	555,000	0.28	555,000	0.28

As at March 31, 2022, the following options were outstanding:

Date of Issue	Weighted Average Exercise Price	Expiry Date	Stock Options Outstanding	Stock Options Exercisable	Remaining Life
September 12, 2019	\$0.18	September 12, 2022	405,000	405,000	0.5 years
January 12, 2021	\$0.55	September 12, 2026	150,000	150,000	4.6 years

The remaining weighted average contractual life of the options is 4.4 years.

9. INCOME TAXES

The provision for income taxes differs from the expense that would be obtained by applying Canadian statutory rates to loss before income taxes as a result of the following:

	2022	2021
	\$	\$
Loss before income taxes	(456,911)	(409,164)
Statutory tax rate	26.50%	26.50%
Expected income tax expense	(121,080)	(108,430)
Change in benefit of tax assets not recognized	121,080	18,430
Total income tax expense	—	—

Stroud Resources Ltd.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in Canadian dollars unless otherwise noted]

For the Three Months Ended March 31, 2022 and 2021

Deductible temporary differences and unused tax losses

The following deductible temporary differences and tax losses have not been tax-benefited on the consolidated financial statements as at December 31:

	2021 \$	2020 \$
Non-capital losses carried forward	4,774,000	4,301,000
Mineral properties and deferred costs	2,218,000	2,218,000
Equipment	882,000	882,000
Other	1,110,000	1,204,000
Total	8,984,000	8,605,000

10. SEGMENTED INFORMATION

The Company operates in two segments: [1] mineral exploration and [2] oil and gas exploration and development. All required segment information is disclosed in the Company's consolidated statements of income (loss) and comprehensive loss and notes 5 and 6.

11. CONTINGENCIES

The Company's exploration and evaluation activities are subject to laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its activities are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Legal Matters

From time to time, the Company may be named as a party to claims or involved in proceedings, including legal, regulatory and tax related, in the ordinary course of its operations. While the outcome of any such matters may not be estimable at period end, the Company makes provisions, where possible, for the estimated outcome of such claims or proceedings. Should a loss result from the resolution of any claims or proceedings that differ from these estimates, the difference will be accounted for as a charge to net income (loss) in that period.