

**CAIRO RESOURCES INC.**

**Condensed Interim Financial Statements**

**For the Three Months Ended May 31, 2021 and 2020**

**Unaudited – Prepared by Management**

(Expressed in Canadian Dollars)

**CAIRO RESOURCES INC.**  
**Condensed Interim Statements of Financial Position**  
**Unaudited – Prepared by Management**  
**(Expressed in Canadian Dollars)**

|                                                   | <b>May 31,<br/>2021</b> | <b>February 28,<br/>2021</b> |
|---------------------------------------------------|-------------------------|------------------------------|
| <b>Assets</b>                                     |                         |                              |
| <b>Current</b>                                    |                         |                              |
| Cash                                              | \$ 178,985              | \$ 313,674                   |
| GST receivable                                    | 2,127                   | 483                          |
| Prepaid expenses                                  | 417                     | 417                          |
| Loans receivable (note 8)                         | 225,000                 | 125,000                      |
|                                                   | <b>\$ 406,529</b>       | <b>\$ 439,574</b>            |
| <b>Liabilities</b>                                |                         |                              |
| <b>Current</b>                                    |                         |                              |
| Accounts payable and accrued liabilities (note 5) | \$ 23,138               | \$ 18,799                    |
| <b>Shareholders' Equity</b>                       |                         |                              |
| <b>Capital Stock</b> (note 4)                     | 960,959                 | 960,959                      |
| <b>Reserves</b> (note 4)                          | 101,904                 | 101,904                      |
| <b>Deficit</b>                                    | (679,472)               | (642,088)                    |
|                                                   | <b>383,391</b>          | <b>420,775</b>               |
|                                                   | <b>\$ 406,529</b>       | <b>\$ 439,574</b>            |

**Proposed transaction** (note 8)

Approved on behalf of the Board:

"Darryl Cardey" (signed)  
 Director

"Michael Sadhra" (signed)  
 Director

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

**CAIRO RESOURCES INC.****Condensed Interim Statements of Loss and Comprehensive Loss  
Unaudited – Prepared by Management  
(Expressed in Canadian Dollars)**

|                                                                 | Three months<br>ended<br>May 31,<br>2021 | Three months<br>ended<br>May 31,<br>2020 |
|-----------------------------------------------------------------|------------------------------------------|------------------------------------------|
| <b>Expenses</b>                                                 |                                          |                                          |
| Filing fees                                                     | \$ 13,029                                | \$ 1,250                                 |
| General and administrative (note 5)                             | 5,667                                    | 6,931                                    |
| Professional fees                                               | 6,057                                    | -                                        |
| Transaction costs (note 8)                                      | 12,631                                   | 750                                      |
| <b>Loss and Comprehensive Loss for the Period</b>               | <b>\$ (37,384)</b>                       | <b>\$ (8,931)</b>                        |
| <b>Basic and Diluted Loss Per Common Share</b>                  | <b>\$ (0.01)</b>                         | <b>\$ (0.01)</b>                         |
| <b>Weighted Average Number of Common Shares<br/>Outstanding</b> | <b>4,956,474</b>                         | <b>1,581,474</b>                         |

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**CAIRO RESOURCES INC.****Condensed Interim Statements of Changes in Shareholders' Equity****Unaudited – Prepared by Management****(Expressed in Canadian Dollars)**

|                                         | Capital Stock    |                   | Reserves          | Deficit             | Equity              |
|-----------------------------------------|------------------|-------------------|-------------------|---------------------|---------------------|
|                                         | Number           | Amount            |                   |                     |                     |
| <b>Balance, February 29, 2020</b>       | <b>1,881,473</b> | <b>\$ 453,509</b> | <b>\$ 101,904</b> | <b>\$ (584,615)</b> | <b>\$ (29,202)</b>  |
| Net loss for the period                 | -                | -                 | -                 | (8,931)             | (8,931)             |
| <b>Balance, May 31, 2020</b>            | <b>1,881,473</b> | <b>\$ 453,509</b> | <b>\$ 101,904</b> | <b>\$ (593,546)</b> | <b>\$ (38,133)</b>  |
| Proceeds from issuance of common shares | 3,375,000        | 540,000           | -                 | -                   | 540,000             |
| Share issue costs                       | -                | (32,550)          | -                 | -                   | (32,550)            |
| Net loss for the period                 | -                | -                 | -                 | (48,542)            | (48,542)            |
| <b>Balance, February 28, 2021</b>       | <b>5,256,473</b> | <b>\$ 960,959</b> | <b>\$ 101,904</b> | <b>\$ (642,088)</b> | <b>\$ 420,775</b>   |
| Net loss for the period                 | -                | -                 | -                 | (37,384)            | (37,384)            |
| <b>Balance, May 31, 2021</b>            | <b>5,256,473</b> | <b>\$ 960,959</b> | <b>\$ 101,904</b> | <b>\$ (679,472)</b> | <b>\$ (383,391)</b> |

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**CAIRO RESOURCES INC.**  
**Condensed Interim Statements of Cash Flows**  
**Unaudited – Prepared by Management**  
**(Expressed in Canadian Dollars)**

|                                          | Three months<br>ended<br>May 31,<br>2021 | Three months<br>ended<br>May 31,<br>2020 |
|------------------------------------------|------------------------------------------|------------------------------------------|
| <b>Operating Activities</b>              |                                          |                                          |
| Loss for period                          | \$ (37,384)                              | \$ (8,931)                               |
| Changes in working capital balances:     |                                          |                                          |
| GST receivable                           | (1,644)                                  | (445)                                    |
| Prepaid expenses                         | -                                        | 545                                      |
| Accounts payable and accrued liabilities | 4,339                                    | 3,668                                    |
| <b>Cash Used in Operating Activities</b> | <b>(34,689)</b>                          | <b>(5,163)</b>                           |
| <b>Investing Activity</b>                |                                          |                                          |
| Loans receivable                         | (100,000)                                | -                                        |
| <b>Cash Used in Investing Activity</b>   | <b>(100,000)</b>                         | <b>-</b>                                 |
| <b>Change in cash</b>                    | <b>(134,689)</b>                         | <b>(5,163)</b>                           |
| <b>Cash, Beginning of Period</b>         | <b>313,674</b>                           | <b>19,090</b>                            |
| <b>Cash, End of Period</b>               | <b>\$ 178,985</b>                        | <b>\$ 13,927</b>                         |
| <b>Supplementary information</b>         |                                          |                                          |
| Taxes paid                               | \$ -                                     | \$ -                                     |
| Interest paid                            | \$ -                                     | \$ -                                     |

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

## CAIRO RESOURCES INC.

### Notes to the Condensed Interim Financial Statements For the Three Months Ended May 31, 2021 and 2020 (Expressed in Canadian Dollars)

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#### 1. NATURE AND CONTINUANCE OF OPERATIONS

Cairo Resources Inc. (the “Company” or “Cairo”) was incorporated under the *Business Corporations Act* of British Columbia on February 8, 2010. The Company was classified as a capital pool corporation (“CPC”), as defined in TSX Venture Exchange Policy 2.4 and the Company’s common shares traded on the TSX Venture Exchange (the “TSX-V”). As a CPC, the principal business of the Company was to identify, evaluate and then acquire an interest in a business or assets (the “Qualifying Transaction”) within 24 months from the date the Company’s shares were listed for trading on the TSX-V.

These unaudited condensed interim financial statements have been prepared on a going concern basis 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. For the three months ended May 31, 2021, the Company incurred loss of \$37,384 (2020 – \$8,931) and as at May 31, 2021, had a deficit of \$679,472 (February 28, 2021 - \$642,088).

The Company’s continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of or participation in an interest in properties, assets or businesses. At present, the Company has not completed its Qualifying Transaction and consequently has no current operating income or cash flows. Without additional financing, the Company will be unable to fund its ongoing operations for the next twelve months. The Company intends to finance its future requirements through a combination of debt and/or equity issuance. There is no assurance that the Company will be able to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. These uncertainties may cast significant doubt on the Company’s ability to continue as a going concern. The Company will need to raise sufficient working capital to maintain operations. These condensed interim financial statements do not include any adjustments related to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

The head office and records office of the Company are located at 1430 – 800 West Pender Street, Vancouver, British Columbia, Canada, V6C 2V6.

**CAIRO RESOURCES INC.**  
**Notes to the Condensed Interim Financial Statements**  
**For the Three Months Ended May 31, 2021 and 2020**  
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**2. BASIS OF PRESENTATION**

**(a) Statement of Compliance**

These unaudited condensed interim financial statements were prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Accordingly, they do not include all of the information and disclosures required by IFRS for annual financial statements. These unaudited condensed financial statements should be read in conjunction with the Company's annual financial statements for the year ended February 28, 2021 which were prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim financial statements have been prepared using the same accounting policies and methods of application as the latest annual financial statements. In the opinion of management, all adjustments (consisting of normal and recurring accruals) considered necessary for fair presentation have been included. The results for interim periods are not necessarily indicative of results for the entire year. The preparation of these unaudited condensed interim financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of these unaudited condensed interim financial statements and the reported amounts of expenses during the period. As a result, actual amounts may differ from those estimates.

The Company's functional and presentation currency is the Canadian dollar.

**(b) Approval of the financial statements**

These unaudited condensed interim financial statements of the Company were approved by the Board of Directors and authorized for issue on July 15, 2021.

**(c) Critical accounting judgments and estimates**

The preparation of condensed interim financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed interim financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include accrued liabilities, the recoverability of deferred tax assets and the collectability of loans receivable.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Information about critical judgments in applying accounting policies that have the most significant effect of amounts recognized in the condensed interim financial statements is included in the going concern assessment (see Note 1).

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**Notes to the Condensed Interim Financial Statements**  
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**2. BASIS OF PRESENTATION (continued)**

**(d) Future accounting standards**

The Company has performed an assessment of new standards issued by the IASB that are not yet effective. The Company has assessed that the impact of adopting these accounting standards on its condensed interim financial statements would not be significant.

**3. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

**(a) Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk consists primarily of cash and loans receivable. To mitigate credit risk, the loans receivable are secured by the common shares of the borrower and due on demand in the event that the Definitive Agreement is terminated (Note 8). The credit risk is also minimized by placing cash with major Canadian financial institutions.

**(b) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. At May 31, 2021, the Company had cash of \$178,985 (February 28, 2021 - \$313,674) available to meet short-term business requirements and current liabilities of \$23,138 (February 28, 2021 - \$18,799). The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

**(c) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk. The Company is not exposed to significant market risk.



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**4. CAPITAL STOCK**

(a) Authorized

The Company has authorized an unlimited number of common shares without par value. As at May 31, 2021, the Company had 5,256,473 shares outstanding (February 28, 2021 - 5,256,473).

(b) Issued and outstanding

There were no capital stock transactions during the three months ended May 31, 2021.

On July 16, 2020, the Company completed a non-brokered private placement of 3,375,000 common shares at a price of \$0.16 per share for gross proceeds of \$540,000. The Company incurred \$32,550 of share issue costs related to the private placement, which was offset against capital stock.

(c) Escrow shares

As at May 31, 2021 and February 28, 2021, there are 299,999 common shares being held in escrow and are subject to a TSX-V mandated CPC Escrow Agreement. These escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities or in accordance with the CPC Escrow Agreement following the Company's completion of a Qualifying Transaction.

(d) Stock option plan

The Company adopted a stock option plan (the "Plan") that allows the Company to issue options to certain directors, officers, employees and consultants of the Company. The Board shall specify the number of shares that will be placed under option, the option price and the period during which options may be exercised. The number of options granted to one person shall not exceed 5% of the outstanding shares at the time of granting the options. If employment with the Company is terminated, other than through death, options not exercised will expire within the later of 12 months after completion of the Qualifying Transaction and 90 days after the termination date. Until a Qualifying Transaction is completed, the maximum number of shares to be reserved under the Plan shall not exceed 158,147 which is 10% of the issued common shares of the Company at the closing of the Company's initial public offerings. Following the completion of a Qualifying Transaction the maximum number of shares reserved for issuance under the Plan shall not exceed 10% of the shares issued and outstanding as at the date of the grant of options.

(e) Stock options and warrants

During the three months ended May 31, 2021 and 2020, the Company did not issue any warrants or grant any stock options. There were no warrants or stock options outstanding as at May 31, 2021 and February 28, 2021.

## CAIRO RESOURCES INC.

### Notes to the Condensed Interim Financial Statements For the Three Months Ended May 31, 2021 and 2020 (Expressed in Canadian Dollars)

#### 5. RELATED PARTY TRANSACTIONS

The Company's related party and key management personnel consist of a company owned by the executive officer and directors as follows:

|                           | Relationship                                                             | Nature of Transactions |
|---------------------------|--------------------------------------------------------------------------|------------------------|
| CDM Capital Partners Inc. | Partially owned by the President, CEO, CFO and a director of the Company | Rent                   |

During the three months ended May 31, 2021, the Company incurred \$2,250 (2020 - \$2,250) for rent to CDM Capital Partners Inc. and owed them \$788 (February 28, 2021 - \$Nil) as at May 31, 2021.

#### 6. CAPITAL MANAGEMENT

The Company is actively looking to acquire an interest in a business or assets (note 8), and this involves a high degree of risk. The Company has not determined whether it will be successful in its endeavours and does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of capital stock. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations, and is not subject to any externally imposed capital requirements.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern.

The Company defines its capital as shareholders' equity. Capital requirements are driven by the Company's general operations. To effectively manage the Company's capital requirements, the Company monitors expenses and overhead to ensure costs and commitments are being paid. There have been no changes to the Company's approach to capital management during the year.

Although the Company has been successful at raising funds in the past through the issuance of capital stock, it is uncertain whether it will continue this financing. The net proceeds raised to date will only be sufficient to identify and evaluate a limited number of assets and businesses for the purpose of identifying and completing a Qualifying Transaction. However, additional funds will be required to finance the Company's Qualifying Transaction.

#### 7. COVID-19

Since March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness which may impact the Company's ability to obtain external financing as required for the Proposed Transaction described in Note 8. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

**8. PROPOSED TRANSACTION**

On January 26, 2021, the Company entered into a binding letter agreement (the "Letter Agreement") with Bangles Gold Pty Ltd. ("Bangles") in respect of a proposed business combination (the "Proposed Transaction"). It is anticipated that the Proposed Transaction will constitute the Cairo's "Qualifying Transaction" pursuant to Policy 2.4 of the TSX-V.

On June 15, 2021 the Company entered into a definitive agreement in respect of the Proposed Transaction (the "Definitive Agreement"), pursuant to which it is anticipated that Cairo will acquire all of the issued and outstanding common shares of Bangles, and the shareholders of Bangles will receive Cairo common shares in exchange for their Bangles common shares.

Bangles is the holder of a 100% legal and beneficial interest in three exploration licence applications ("ELA's") located in New South Wales ("NSW"), Australia. ELA 6056, ELA 6058 and ELA 6059 cover an area of ~680 km<sup>2</sup> over sections of the mineralised Koonenberry Fault and associated secondary faults and splays located in NSW, Australia. The Koonenberry region is an emerging gold district.

**Summary of the Proposed Transaction**

Pursuant to the Proposed Transaction, Cairo intends to issue an aggregate of 5,000,000 Cairo common shares and \$112,500 of cash consideration will be paid pro rata to the shareholders of Bangles in exchange for 100% of the Bangles Shares. A finder's fee of 386,161 Cairo common shares will be payable by Cairo to an arm's length third party in connection with the closing of the Proposed Transaction.

The completion of the Proposed Transaction remains subject to a number of terms and conditions. Upon completion of the Proposed Transaction, it is anticipated that the Resulting Issuer will be listed as a Tier 2 Mining Issuer on the TSX-V, with Bangles as its primary operating subsidiary.

In connection with the Proposed Transaction, Cairo and Bangles entered a Promissory Note Agreement dated February 4, 2021. Under the terms of the Promissory Note Agreement, Cairo will advance secured loans of up to \$250,000 to Bangles, which are non-interest bearing and have a term of one year. In the event that the Definitive Agreement is terminated, these loans will be due on demand and bear interest at 10%, compounded monthly. The loans are secured by the common shares of Bangles, of which there are currently 1,500,000 outstanding. The loans will be used by Bangles for working capital purposes. As at May 31, 2021, Cairo has advanced \$225,000 (February 28, 2021 – \$125,000) to Bangles under the terms of the Promissory Note Agreement.

In connection with the Proposed Transaction, the parties will arrange a concurrent financing of units of Cairo ("Units") for gross proceeds of \$1,500,000 at a price of \$0.28 per Unit. Each Unit will consist of one Cairo common share and one-half of a share purchase warrant of Cairo ("Warrants"), with each whole Warrant exercisable for a period of eighteen months at a price of \$0.40 per Cairo common share.