Drummond Ventures Corp.
(a capital pool company)

FINANCIAL STATEMENTS

For the three and six months ended December 31, 2022 and 2021

Reader's Note:
These unaudited condensed interim financial statements of Drummond Ventures Corp. have been prepared by management and have not been reviewed by the Company's auditor.

Drummond Ventures Corp.
(a capital pool company)
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022 AND JUNE 30, 2022
(Expressed in Canadian dollars)

	Note	December 31, 2022 $	June 30, 2022 $
ASSETS			
Current assets			
Cash		**276,877**	**315,090**
Total assets		**276,877**	**315,090**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**19,490**	**25,510**
Total liabilities		**19,490**	**25,510**
SHAREHOLDERS' EQUITY			
Share capital	6	**568,615**	**568,615**
Share-based payment reserve	6	**30,485**	**30,485**
Deficit		**(341,713)**	**(309,520)**
Total shareholders' equity		**257,387**	**289,580**
Total liabilities and shareholders' equity		**276,877**	**315,090**

Nature of operations and going concern (Note 1)

Approved by the Board of Directors on February 28, 2023

"David De Witt" — ***Director***

"Marcel de Groot" — ***Director***

Drummond Ventures Corp.
(a capital pool company)
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in Canadian dollars)

	Note	For the three months ended December 31, 2022 $	For the three months ended December 31, 2021 $	For the six months ended December 31, 2022 $	For the six months ended December 31, 2021 $
Operating Expenses					
Listing and filing fees		**4,463**	646	**5,022**	1,485
Professional fees		**8,189**	4,515	**8,189**	9,056
Other general and administrative expenses		**9,504**	9,511	**18,982**	12,712
Net loss and comprehensive loss for the year		**22,156**	14,672	**32,193**	23,253
Net loss per share					
Basic	6	**0.02**	0.01	**0.03**	0.02
Diluted	6	**0.02**	0.01	**0.03**	0.02
Weighted average number of common shares outstanding - Basic and diluted	6	**1,125,000**	1,125,000	**1,125,000**	1,125,000

The accompanying notes form an integral part of these financial statements.

(Expressed in Canadian dollars)

	Common shares Number	Share capital $	Share-based payments reserve $	Deficit $	Total $
Balance, June 30, 2021	**5,125,000**	**568,615**	**30,485**	**(240,559)**	**358,541**
Net loss and comprehensive loss for the year	-	-	-	(23,253)	(23,253)
Balance, December 31, 2021	**5,125,000**	**568,615**	**30,485**	**(263,812)**	**335,288**
Balance June 30, 2022	**5,125,000**	**568,615**	**30,485**	**(309,520)**	**289,580**
Net loss and comprehensive loss for the year	-	-	-	(32,193)	(32,193)
Balance, December 31, 2022	**5,125,000**	**568,615**	**30,485**	**(341,713)**	**257,387**

Drummond Ventures Corp.
(a capital pool company)
STATEMENTS OF CASH FLOWS
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in Canadian dollars)

	Note	For the three months ended December 31, 2022 $	For the three months ended December 31, 2021 $	For the six months ended December 31, 2022 $	For the six months ended December 31, 2021 $
Cash flows provided by (used in)					
Operating Activities					
Net loss		**(22,156)**	(14,672)	**(32,193)**	(23,253)
Changes in non-cash working capital:					
Accounts payable and accrued liabilities		**(4,960)**	(17,615)	**(6,020)**	(14,182)
		(27,116)	(32,287)	**(38,213)**	(37,435)
Investing Activities					
Loan repayment from private target company	4	**-**	-	**-**	327,901
		-	-	**-**	327,901
Increase in cash for the period		**(27,116)**	(32,287)	**(38,213)**	290,466
Cash - beginning of year		**303,993**	367,864	**315,090**	45,111
Cash - end of year		**276,877**	335,577	**276,877**	335,577

1. Nature of operations and going concern

Nature of operations and Going Concern

Drummond Ventures Corp. (the "Company" or "Drummond") was incorporated under the British Columbia *Business Corporations Act* on March 28, 2018. The Company is classified as a Capital Pool Company as defined in the TSX Venture Exchange's (the "Exchange") Policy 2.4 ("CPC Policy"). The principal business of the Company is the identification and evaluation of a Qualifying Transaction as defined in the CPC Policy ("QT") and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities.

Several adverse conditions and material uncertainties cast significant doubt upon the going concern assumption, and the Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate a QT. During the six months ended December 31, 2022, the Company incurred a loss of $32,193 and as at December 31, 2022, had a cumulative deficit of $341,713.

The QT will be subject to the approval of the Exchange and in case of a non-arm's length transaction, of the majority of the Company's minority shareholders. Where a QT has been identified, additional funding may be required in order to complete the transaction and there is no assurance that the Company will be successful in obtaining any additional funding. These conditions indicate the existence of material uncertainty that may give rise to significant doubt about the Company's ability to continue as a going concern.

The Company is listed on the Exchange under the trading symbol DVX.P.

The head office & principal address of the Company is located at Suite 1400, 400 Burrard Street, Vancouver, BC, V6C 3A6 and the registered & records office is located at Suite 700, 595 Burrard Street, Vancouver, BC, V7X 1S8.

2. Basis of presentation

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed interim financial statements do not include all the necessary annual disclosures in accordance with IFRS and should be read in conjunction with the Company's audited financial statements for the year ended June 30, 2022.

The accounting policies followed in these condensed interim financial statements are the same as those applied in the Company's most recent audited financial statements for the year ended June 30, 2022.

Basis of Presentation

These financial statements have been prepared on a historical cost basis, except for any financial assets or liabilities held at fair value. These financial statements are presented in Canadian dollars, which is also the Company's functional currency.

3. Significant Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Management believes the estimates and assumptions used in these financial statements are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

Expressed in Canadian dollars unless otherwise stated

The Company's significant accounting judgments and estimates have been applied in these financial statements:

Judgments

Going concern

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its financial statements. Management prepares the financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no ability to identify, evaluate and complete a QT. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

Estimates

Recoverability of receivables

Management evaluates the collectability of receivables using the credit risk characteristics of the indebted Company.

4. Loan Repayment and Break Fee

Pursuant to a proposed QT and the CPC Policy, the Company advanced a total of $350,000 over two tranches in October 2019 and March 2020 to Sun Machine Entertainment Inc. (the "target") by way of secured loans (the "CPC Loans"). The CPC Loans were secured against all the assets of the target. On October 31, 2020, in conjunction with an amended and restated amalgamation agreement, the interest on the CPC Loans was increased from 3.95% to 8.00%. The CPC Loans were payable with interest at the earlier of the completion of the QT and May 31, 2021. On April 13, 2021, $50,000 of principal owing was repaid and on July 2, 2021, the target repaid the loan in full for a total of $327,901, including $27,901 in interest.

						Total
Inception Date		October 28, 2019		March 10, 2020		
Maturity date		May 31, 2021		May 31, 2021		
Interest rate		8.00%		8.00%		
Principal at inception and balance outstanding at June 30, 2021	$	225,000	$	125,000	$	350,000
Interest to date of repayment	$	18,914	$	8,987	$	27,901
Repayment	$	(243,914)	$	(133,987)	$	(377,901)
December 31, 2022	$	**0**	$	**0**	$	**0**

In connection with the target's decision not to proceed with the proposed QT, a fee of $200,000 became payable by the target, which was paid in June 2021 by the issuance of a convertible promissory note issued in favour of the Company. The convertible note had a maturity date of August 31, 2021 and earned 6% interest which would be payable to the Company in line with the amalgamation agreement. The Company assessed the conversion feature derivative and determined that it had a negligible value due to the short-term timeline and was therefore not recognized. As of December 31, 2022, the $200,000 plus interest is still outstanding and the note or the accrued interest thereon has not been recognised as a receivable as receipt of the amount is still uncertain.

Expressed in Canadian dollars unless otherwise stated

5. Share Capital and Reserves

a) Authorized:

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

b) Issued and Outstanding:

As at December 31, 2022, the Company had 5,125,000 common shares issued and outstanding. Of these common shares, 4,000,000 are held in escrow pursuant to an amended and restated escrow agreement (and as such are not included in basic or diluted earnings per share). Under the escrow agreement, 25% of the escrowed shares will be released from escrow on the date of the issuance of the Final Exchange Bulletin (as defined by the CPC Policy) (the "Initial Release") upon completion of a QT, and an additional 25% will be released every six months following the Initial Release over a period of eighteen months.

c) Stock Options

On June 22, 2018, the board of directors of the Company (the "Board") established a stock option plan, as amended, ("Stock Option Plan") where the Board may, from time to time, grant directors, officers, employees and consultants non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the total issued and outstanding common shares of the Company, exercisable for a period of up to 10 years from the date of the grant. In accordance with the CPC Policy, during the time that the Company is a Capital Pool Company and prior to Completion of the QT: (i) options granted to a director or officer of the Company individually may not exceed 5% of the common shares of the Company issued and outstanding at the date of the grant; and (ii) options granted to all technical consultants may not exceed 2% of the common shares of the Company issued and outstanding at the date of the grant. The Board shall not grant any options to an eligible participant under the Stock Option Plan providing investor relations activities, promotional or market-making services to the Company.

The exercise price of any option granted pursuant to the Stock Option Plan shall be determined by the Board when granted but shall not be less than the market price. Until Completion of the QT the exercise price shall not be less than the greater of $0.10 and the Discounted Market Price (as defined by the policies of the Exchange). Any common shares acquired pursuant to the exercise of options prior to the Completion of the QT, must be deposited in escrow and will be subject to escrow until Completion of the QT.

During the six months ended December 31, 2022 and 2021, no stock options were granted.

The Company has outstanding options entitling the holder to purchase an aggregate of common shares at December 31, 2022 as follows:

Number of options	Exercise price ($)	Expiry date	Contractual life remaining (years)
130,000	0.20	December 21, 2028	5.98

7. Related party transactions

Related parties are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly. Related parties of the Company include the members of the Board, officers of the Company, close family members of these individuals, and any companies controlled by these individuals. Pathway Capital Ltd. ("Pathway") is considered a related party of the Company as it is controlled by two directors of the Company.

On September 1, 2021, Drummond entered into an administrative services agreement with Pathway to pay for rent, accounting, legal and other administrative services. During the six months ended December 31, 2022, Drummond paid or accrued $18,900 to Pathway under the agreement (2021 - $12,600), these expenses are included under general and administrative expenses in the statement of loss and comprehensive loss.

There was no compensation paid to key management personnel during the six months ended December 31, 2022 (2021 - $nil).

8. Financial Instruments

As at December 31, 2022, the Company's financial instruments consist of cash and accounts payable. The Company classifies cash as a financial asset held at amortized cost. The Company classifies accounts payable and accrued liabilities as other financial liabilities, and these are held at amortized cost. The fair value of all of the Company's financial instruments approximates their carrying value.

All of the Company's financial instruments are considered to be Level 1 within the fair value hierarchy (as discussed below).

Level 1– fair values based on unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – fair values based on inputs that are observable for the asset or liability, either directly or indirectly; and

Level 3 – fair values based on inputs for the asset or liability that are not based on observable market data.

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between the levels during the six months ended December 31, 2022 or 2021.

The risk exposure arising from these financial instruments is summarized as follows:

(a) Credit risk - The Company's maximum exposure to credit risk is considered to be the carrying value of its cash. The Company's cash balance at December 31, 2022 of $276,877 is held in a bank account with a highly rated Canadian financial institution, therefore minimizing the Company's credit risk.

(b) Liquidity risk - The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's ability to continue to meet its liabilities when due, beyond the current cash balance, is dependent on future support of shareholders through public or private equity offerings (Note 1).

(c) Market risk - Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or value of its holdings or financial instruments. The Company's activities have only been transacted in Canadian dollars since incorporation and until December 31, 2022. As such, the Company has minimal market risks facing it at present.

9. Capital management

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the identification and evaluation of a QT, and to maintain its ability to continue as a going concern. The Company considers capital to be all accounts in equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Additional funds may be required to finance the Company's QT. In accordance with Policy 2.4 of the Exchange, the proceeds raised from the sale of securities may only be used to identify and evaluate assets or businesses, and obtain shareholder approval for a QT, including expenses such as: (i) reasonable expenses relating the IPO; (ii) reasonable general and administrative expenses (not exceeding in aggregate of $3,000 per month); (iii) reasonable expenses relating to a proposed Qualifying Transaction; (iv) agents' and finders' fees, costs and commissions; (v) assurance and audit fees; (vi) escrow agent and transfer agent fees; and (vii) regulatory filing fees.