



**KAINANTU RESOURCES LTD.**

**(formerly PLB CAPITAL CORP.)**

**(A Capital Pool Company)**

**Financial Statements**

**(Expressed in Canadian Dollars)**

**For the years ended November 30, 2020 and 2019**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Kainantu Resources Ltd. (formerly PLB Capital Corp.)

### ***Opinion***

We have audited the accompanying financial statements of Kainantu Resources Ltd. (formerly PLB Capital Corp.) (the "Company"), which comprise the statement of financial position as at November 30, 2020, and the statements of comprehensive loss, changes in shareholders' equity, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

### ***Other Matters***

The financial statements of Kainantu Resources Ltd. (formerly PLB Capital Corp.) for the year ended November 30, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on March 30, 2020.

### ***Other Information***

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Catherine Tai.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

March 29, 2021

# Kainantu Resources Ltd. (formerly PLB Capital Corp)

## Statements of Financial Position

Presented in Canadian Dollars

| As at                                             | November<br>30, 2020 | November<br>30, 2019 |
|---------------------------------------------------|----------------------|----------------------|
| <b>Assets</b>                                     |                      |                      |
| <b>Current Assets</b>                             |                      |                      |
| Cash                                              | \$ 162,716           | \$ 201,060           |
| Amounts receivable                                | 1,617                | 2,344                |
| <b>Total Assets</b>                               | <b>\$ 164,333</b>    | <b>\$ 203,404</b>    |
| <b>Liabilities and Shareholders' Equity</b>       |                      |                      |
| Accounts payable and accrued liabilities          | \$ 45,821            | \$ -                 |
|                                                   | 45,821               | -                    |
| <b>Shareholders' equity</b>                       |                      |                      |
| Contributed surplus                               | 35,090               | 35,090               |
| Share Capital                                     | 260,055              | 260,055              |
| Deficit                                           | (176,633)            | (91,741)             |
| <b>Total Shareholders' Equity</b>                 | <b>118,512</b>       | <b>203,404</b>       |
| <b>Total Liabilities and Shareholders' Equity</b> | <b>\$ 164,333</b>    | <b>\$ 203,404</b>    |

|                    |    |
|--------------------|----|
| Nature of business | 1  |
| Going concern      | 2  |
| Subsequent events  | 10 |

Approved and authorized by the board of directors on March 29, 2021:

|                             |          |                            |          |
|-----------------------------|----------|----------------------------|----------|
| “Marcus Engelbrecht”        |          | “Matthew Salthouse”        |          |
| _____<br>Marcus Engelbrecht | Director | _____<br>Matthew Salthouse | Director |

The accompanying notes are an integral part of these financial statements

## Kainantu Resources Ltd. (formerly PLB Capital Corp)

### Statements of Comprehensive Loss

Presented in Canadian Dollars

| For the years ended November 30,                            | 2020               | 2019               |
|-------------------------------------------------------------|--------------------|--------------------|
| <b>Expenses</b>                                             |                    |                    |
| Audit and accounting                                        | \$ 16,250          | \$ 7,200           |
| Consulting                                                  | -                  | 6,000              |
| Interest and bank charges                                   | 185                | 96                 |
| Legal                                                       | 43,935             | 13,999             |
| Office and administration                                   | 994                | 5,232              |
| Share-based compensation (note 6)                           | -                  | 29,800             |
| Shareholder relations                                       | 475                | -                  |
| Transfer and filing                                         | 23,053             | 11,100             |
|                                                             | (84,892)           | (73,427)           |
| <b>Net loss and comprehensive loss for the year</b>         | <b>\$ (84,892)</b> | <b>\$ (73,427)</b> |
| <b>Basic and diluted loss per share</b>                     | <b>(0.02)</b>      | <b>(0.02)</b>      |
| <b>Weighted average number of common shares outstanding</b> | <b>2,000,000</b>   | <b>2,000,000</b>   |

*The accompanying notes are an integral part of these financial statements*

## Kainantu Resources Ltd. (formerly PLB Capital Corp)

### Statements of Changes in Shareholders' Equity

Presented in Canadian Dollars

|                                     | Share Capital    |                   | Contributed surplus | Deficit             | Total Equity      |
|-------------------------------------|------------------|-------------------|---------------------|---------------------|-------------------|
|                                     | Number of Shares | Amount            |                     |                     |                   |
| <b>Balance at November 30, 2019</b> | <b>4,000,000</b> | <b>\$ 260,055</b> | <b>\$ 35,090</b>    | <b>\$ (91,741)</b>  | <b>\$ 203,404</b> |
| Net loss for the year               | -                | -                 | -                   | (84,892)            | (84,892)          |
| <b>Balance at November 30, 2020</b> | <b>4,000,000</b> | <b>\$ 260,055</b> | <b>\$ 35,090</b>    | <b>\$ (176,633)</b> | <b>\$ 118,512</b> |

|                                                 | Share Capital    |                   | Contributed surplus | Deficit            | Total Equity      |
|-------------------------------------------------|------------------|-------------------|---------------------|--------------------|-------------------|
|                                                 | Number of Shares | Amount            |                     |                    |                   |
| <b>Balance at November 30, 2018</b>             | <b>2,000,000</b> | <b>\$ 100,000</b> | <b>\$ -</b>         | <b>\$ (18,314)</b> | <b>\$ 81,686</b>  |
| Public offering – net of cash share issue costs | 2,000,000        | 165,345           | -                   | -                  | 165,345           |
| Finder's warrants                               | -                | (5,290)           | 5,290               | -                  | -                 |
| Share-based compensation                        | -                | -                 | 29,800              | -                  | 29,800            |
| Net loss for the year                           | -                | -                 | -                   | (73,427)           | (73,427)          |
| <b>Balance at November 30, 2019</b>             | <b>4,000,000</b> | <b>\$ 260,055</b> | <b>\$ 35,090</b>    | <b>\$ (91,741)</b> | <b>\$ 203,404</b> |

*The accompanying notes are an integral part of these financial statements*

# Kainantu Resources Ltd. (formerly PLB Capital Corp)

## Statements of Cash Flows Presented in Canadian Dollars

| For the Years Ended November 30,                   | 2020              | 2019              |
|----------------------------------------------------|-------------------|-------------------|
| <b>Operating Activities</b>                        |                   |                   |
| Net loss for the year                              | \$ (84,892)       | \$ (73,427)       |
| Item not involving cash:                           |                   |                   |
| Share-based compensation                           | -                 | 29,800            |
|                                                    | (84,892)          | (43,627)          |
| Changes in non-cash working capital items:         |                   |                   |
| Amounts receivable                                 | 727               | (2,344)           |
| Prepays                                            | -                 | 11,517            |
| Accounts payable and accrued liabilities           | 45,821            | -                 |
| <b>Net cash flows used in operating activities</b> | <b>(38,344)</b>   | <b>(34,454)</b>   |
| <b>Financing Activities</b>                        |                   |                   |
| Cash received in public offering, net              | -                 | 165,345           |
| <b>Cash provided by financing activities</b>       | <b>-</b>          | <b>165,345</b>    |
| Change in cash                                     | (38,344)          | 130,891           |
| Cash, beginning of the year                        | 201,060           | 70,169            |
| <b>Cash, end of year</b>                           | <b>\$ 162,716</b> | <b>\$ 201,060</b> |

*The accompanying notes are an integral part of these financial statements*

# Kainantu Resources Ltd. (formerly PLB Capital Corp)

## Notes to the Financial Statements

For the Years Ended November 30, 2020 and 2019

Presented in Canadian Dollars

### 1. NATURE OF BUSINESS

Kainantu Resources Ltd (formerly PLB Capital Corp.) (the “Company”) was incorporated under the *Business Corporations Act* (British Columbia) on July 4, 2018 and is a Capital Pool Company under the policies of the TSX Venture Exchange (the “Exchange”).

The principal business of the Company is the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction (“QT”) as it is defined in the policies of the Exchange.

On November 23, the Company changed its name to Kainantu Resources Ltd and on December 3, announced the completion of a QT acquiring of all of the issued and outstanding shares of Kainantu Resources Pte Ltd (“Kainantu”).

The head office, principal and registered address and records office of the Company are located at 2900 - 550 Burrard Street, Vancouver, British Columbia Canada V6C 0A3.

### 2. GOING CONCERN

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

As at November 30, 2020, the Company has recorded a net loss of \$84,892 for the period and has an accumulated deficit of \$176,633. The Company has no source of revenue. Its ability to continue as a going concern is dependent on raising adequate financing to develop profitable operations. The Directors are confident the completion of financing will secure the funding required to meet its current objectives.

Subsequent to the period ended November 30, 2020 (see Subsequent Events – Note 10), Kainantu, received subscription funds totaling CDN \$4,100,000 from a private placement. On this basis the Company as the parent of the wholly owned group estimates that it has adequate financial resources for at least the next twelve months.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used.

### 3. BASIS OF PREPARATION

#### a. 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 and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The audited financial statements were authorized for issue by the directors of the Company on March 29, 2021.

# Kainantu Resources Ltd. (formerly PLB Capital Corp)

## Notes to the Financial Statements

For the Years Ended November 30, 2020 and 2019

Presented in Canadian Dollars

### 3. BASIS OF PREPARATION (Continued)

#### b. Basis of measurement

These financial statements have been prepared on a historical cost basis, except for certain financial instruments which have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

#### c. Presentation currency

These financial statements are presented in Canadian Dollars ("CAD") which is also the Company's functional currency.

### 4. SIGNIFICANT ACCOUNTING POLICIES

#### a. Cash and cash equivalents

Cash and cash equivalents comprise cash held with financial institutions. The Company did not hold any cash equivalents as at November 30, 2020.

#### b. Share capital

Share capital is classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

#### c. *Equity-settled transactions*

Share-based payment arrangements whereby the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions. Equity instruments issued as consideration for the purchase of non-monetary assets are measured based on the fair value of the common shares on the date the shares are issued.

#### d. *Share-based compensation*

The Company grants stock options to directors, employees and consultants. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period based on the number of

awards expected to vest. This number is reviewed annually, with any change in estimate recognized immediately in compensation expense with a corresponding adjustment to contributed surplus.

Upon exercise of a stock option, consideration paid together with the share-based compensation amount previously recognized in contributed surplus is recorded as an increase to share capital.

# Kainantu Resources Ltd. (formerly PLB Capital Corp)

## Notes to the Financial Statements

For the Years Ended November 30, 2020 and 2019

Presented in Canadian Dollars

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### e. Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity.

Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they revert, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

#### f. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at amortized cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. The Company's receivables are measured at amortized cost.

Financial liabilities are designated as either FVTPL or amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. The Company's accounts payables and accrued liabilities are measured at amortized cost.

# Kainantu Resources Ltd. (formerly PLB Capital Corp)

## Notes to the Financial Statements

For the Years Ended November 30, 2020 and 2019

Presented in Canadian Dollars

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Impairment of financial assets*

An expected credit loss impairment model is applied which requires a loss allowance to be recognized based on expected credit losses. This applies to financial assets measured at amortized cost. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

#### **g. Loss per share**

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for any of its own shares held. Diluted loss per share is determined by adjusting the loss attributable to shareholders and the weighted average number of ordinary shares outstanding, adjusted for any of its own shares held, for the effects of all dilutive potential ordinary shares, which comprise outstanding warrants and stock options. Contingently cancellable shares are excluded from the loss per share calculation.

#### **h. Contingent liabilities**

The Company does not recognize a contingent liability component in the cost of an asset, when an asset or a group of assets that do not constitute a business are acquired. Any subsequent payments made in relation to the contingent element are adjusted against the cost of the asset as incurred.

#### **i. Accounting Standards Issued but not yet Effective**

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company's financial statements.

### 5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts and the valuation of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenditures during the year.

# Kainantu Resources Ltd. (formerly PLB Capital Corp)

## Notes to the Financial Statements

For the Years Ended November 30, 2020 and 2019

Presented in Canadian Dollars

### 5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the estimates. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. Information about such judgments and estimates is contained in the description of accounting policies (note 4) and/or other notes to the financial statements. Management has made the following critical judgments and estimates:

#### Critical judgments in applying accounting policies

The critical judgments that 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 financial statements are as follows:

#### *Functional currency*

The functional currency is the currency of the primary economic environment in which the entity operates. The Company has determined that the functional currency is CAD. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

#### Key sources of estimation uncertainty

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

#### *Income taxes*

Management is required to make estimations regarding the tax basis of assets and liabilities and related deferred income tax assets and liabilities, the measurement of income tax expense and indirect taxes. A number of these estimates require management to make estimates of future taxable profit, and if actual results are significantly different than estimates, the ability to realize the deferred tax assets recorded on the statement of financial position could be impacted. The Company is subject to assessments by tax authorities who may interpret the tax law differently. These factors may affect the final amount or the timing of tax payments.

#### *COVID 19*

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

# Kainantu Resources Ltd. (formerly PLB Capital Corp)

## Notes to the Financial Statements

For the Years Ended November 30, 2020 and 2019

Presented in Canadian Dollars

### 6. SHARE CAPITAL

#### (a) Authorized

Unlimited number of common shares without par value.

#### (b) Issued and outstanding

During the year ended November 30, 2020, there were no share issuances.

During the year ended November 30, 2019, there were 2,000,000 common shares issued by the company, for \$0.10 per share for total proceeds of \$200,000. The Company paid cash share issue costs of \$34,655, and issued 100,000 finder's warrants with a fair value of \$5,290 (see Note 6(e)).

#### (c) Escrowed shares

An escrow agreement (the "Escrow Agreement") between the Company and certain shareholders of the Company has been completed resulting in 2,000,000 common shares (the "Escrowed Shares"), being all of the issued and outstanding common shares prior to the completion of the Offering, being deposited in escrow. Pursuant to the Escrow Agreement, the Escrowed Shares shall be released pro-rata to the shareholders as to 10% upon issuance of notice of final acceptance of a Qualifying Transaction by the TSX-V and as to the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These Escrowed Shares are considered contingently returnable until a Qualifying Transaction is complete. These Escrowed Shares may not be transferred, assigned or otherwise dealt without the consent of the regulatory authorities.

As at November 30, 2020 2,000,000 common shares (2019 – 2,000,000) are held in escrow and are excluded from the loss per share calculation.

#### (d) Stock option plan

The Stock Option Plan (the "Plan") is approved by the shareholders, most recently at the annual general meeting held on July 23, 2020. The Plan provides the board may issue up to 10% of issued and outstanding shares to directors, employees and consultants. The options are non-transferrable, exercisable for up to 10 years from grant date at an exercise price not be less than the greater of the IPO Share price and the discounted market price. The plan must be approved by shareholders on an annual basis.

Options pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the shares and the expected life of the option. Changes in these assumptions can materially affect the fair value estimate and therefore, it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option grants and warrant issuances.

On March 14, 2019, the Company granted a total of 400,000 share purchase options to the directors and officers. These options will be exercisable for a price of \$0.10 per share for a period of five years.

## Kainantu Resources Ltd. (formerly PLB Capital Corp)

### Notes to the Financial Statements

For the Years Ended November 30, 2020 and 2019

Presented in Canadian Dollars

#### 6. SHARE CAPITAL (Continued)

##### (d) Stock option plan (*cont'd*)

The continuity of stock options is as follows:

|                                | 2020              |                                 | 2019              |                                 |
|--------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
|                                | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| Balance, beginning of the year | 400,000           | \$ 0.10                         | -                 | \$ -                            |
| Granted                        | -                 | -                               | 400,000           | 0.10                            |
| Balance, end of the year       | 400,000           | \$ 0.10                         | 400,000           | \$ 0.10                         |

The Company recorded \$ nil (2019 - \$29,800) in share-based compensation related to the vested stock options.

The following stock options were outstanding and exercisable as at November 30, 2020:

| Expiry Date                      | Exercise Price | Number of Options | Remaining Contractual Life (Years) |
|----------------------------------|----------------|-------------------|------------------------------------|
| March 14, 2024                   | \$0.10         | 400,000           | 3.29                               |
| Total                            |                | 400,000           |                                    |
| Weighted average years to expiry |                |                   | 3.29                               |

133,333 share options were exercised subsequent to November 30, 2020

The Company employed the Black-Scholes option-pricing model using the following assumptions:

|                                   | 2019    |
|-----------------------------------|---------|
| Risk-free interest rate           | 1.34%   |
| Expected life of options in years | 5 years |
| Expected volatility               | 100%    |
| Dividend per share                | -       |
| Forfeiture rate                   | -       |

##### (e) Share purchase warrants

On completion of the Offering, the Company granted to its agent warrants to acquire up to 5% of the common shares issued under the Offering at a price of \$0.10 per share for a period of 24 months from the closing date of the Offering, being up to 100,000 common shares.

# Kainantu Resources Ltd. (formerly PLB Capital Corp)

## Notes to the Financial Statements

For the Years Ended November 30, 2020 and 2019

Presented in Canadian Dollars

### 6. SHARE CAPITAL (Continued)

#### (e) Share purchase warrants (continued)

Details of the status of the Company's share purchase warrants are as follows:

|                                | 2020               |                                 | 2019                   |                                 |
|--------------------------------|--------------------|---------------------------------|------------------------|---------------------------------|
|                                | Number of Warrants | Weighted Average Exercise Price | Number of Warrants     | Weighted Average Exercise Price |
| Outstanding, beginning of year | 100,000            | \$ 0.10                         | -                      | \$ -                            |
| Granted                        | -                  | -                               | 100,000 <sup>(1)</sup> | 0.10                            |
| Outstanding, end of year       | 100,000            | \$ 0.10                         | 100,000                | \$ 0.10                         |

(1) Expire March 14, 2021

The 100,000 share purchase warrants were exercised subsequent to November 30, 2020.

### 7. FINANCIAL RISK AND CAPITAL MANAGEMENT

#### *Capital management*

The Company does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of share capital. 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 were no changes to the Company's capital management approach during the year ended November 30, 2020.

#### *Management of financial risk*

The types of risk exposure and the Company's methods of managing the risk remain consistent and are as follows:

# Kainantu Resources Ltd. (formerly PLB Capital Corp)

## Notes to the Financial Statements

For the Years Ended November 30, 2020 and 2019

Presented in Canadian Dollars

### 7. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

#### (a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will significantly fluctuate due to changes in market prices. The value of financial instruments can be affected by changes in interest rates, foreign currency rates and other price risk.

##### (i) Interest rate risk

The Company is not subject to significant interest rate risk with respect to its financial instruments.

##### (ii) Currency risk

The Company is not exposed to currency risk, as all financial instruments and expenditures incurred by the Company are denominated in Canadian dollars.

##### (iii) Other price risk

Other price risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices. The Company is not exposed to significant other price risk on its financial instruments.

#### (b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash. The Company limits exposure to credit risk through maintaining its cash with high-credit quality Canadian financial institutions. The Company is not exposed to significant credit risk on receivables, as these amounts are due from government agencies. The carrying amount of financial assets represents the maximum credit exposure.

#### (c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due by forecasting cash flows for operations, anticipated investing and financing activities, and through management of its capital structure. As at November 30, 2020 the Company's financial liabilities include accounts payable and accrued liabilities of \$45,821 all of which are due in future months.

The fair values of the Company's financial assets approximate the carrying amounts due to their short-term nature.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

# Kainantu Resources Ltd. (formerly PLB Capital Corp)

## Notes to the Financial Statements

For the Years Ended November 30, 2020 and 2019

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### 7. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;  
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and  
Level 3 – Inputs that are not based on observable market data.

### 8. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

|                                                                    | 2020        | 2019        |
|--------------------------------------------------------------------|-------------|-------------|
| Loss before income taxes                                           | \$ (84,892) | \$ (73,427) |
| Expected income tax (recovery)                                     | (23,000)    | (19,825)    |
| Change in statutory, foreign tax, foreign exchange rates and other | (1,000)     | (711)       |
| Change in unrecognized deductible temporary differences            | 24,000      | 20,536      |
| <b>Total income tax recovery</b>                                   | <b>\$ -</b> | <b>\$ -</b> |
| Current income tax                                                 | \$ -        | \$ -        |
| Deferred tax recovery                                              | \$ -        | \$ -        |

The significant components of the Company's deferred tax assets that have not been included on the statement of financial position are as follows:

|                                               | 2020        | 2019        |
|-----------------------------------------------|-------------|-------------|
| Deferred tax assets (liabilities)             |             |             |
| Share issue costs                             | \$ 6,000    | \$ 7,500    |
| Non-capital loss available for future periods | 43,000      | 17,800      |
|                                               | 49,000      | 25,300      |
| Unrecognized deferred tax assets              | (49,000)    | (25,300)    |
| <b>Net deferred tax assets</b>                | <b>\$ -</b> | <b>\$ -</b> |

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

|                                               | 2020    | Expiry Date Range | 2019   | Expiry Date Range |
|-----------------------------------------------|---------|-------------------|--------|-------------------|
| Temporary differences                         |         |                   |        |                   |
| Share issue costs                             | 21,000  | 2040 to 2043      | 7,500  | 2039 to 2043      |
| Non-capital loss available for future periods | 158,000 | 2038 to 2040      | 66,100 | 2038 to 2039      |
| Canada                                        | 158,000 | 2038 to 2040      | 66,100 | 2038 to 2039      |

Tax attributes are subject to review, and potential adjustment, by tax authorities.

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## Notes to the Financial Statements

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### 9. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers.

The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

|                          | November 30, 2020 | November 30, 2019 |
|--------------------------|-------------------|-------------------|
| Share-based compensation | \$ -              | \$ 29,800         |

### 10. SUBSEQUENT EVENTS

On December 3, the Company completed the acquisition of all of the issued and outstanding shares of Kainantu. The Transaction constitutes a QT as such term is defined in Policy 2.4 - Capital Pool Companies of the TSX-V.

#### Transaction Summary

Pursuant to the Transaction, the Company issued 20,000,000 common shares to the founding holders ("Company Shares") of Kainantu ("Kainantu Shares") on the basis of one Company Share for each Kainantu Share at price of \$0.20 per Kainantu Share. In addition, the Company will issue 5,000,000 common shares to the founding holders of Kainantu, pro rata in accordance with their holdings of Kainantu Shares, as additional consideration at such time as the Company has established and completed a technical report in compliance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101") supporting an inferred resource (as such term is defined in NI 43-101).

#### Concurrent Financing

In connection with the Transaction, an aggregate of 20,500,000 units (each a "Kainantu Unit") of Kainantu were issued pursuant to a non-brokered private placement (the "Financing") at a price of \$0.20 per Kainantu Unit for total gross proceeds of \$4,100,000. On conversion, each Kainantu Unit consisted of one Kainantu Share and one half of a share purchase warrant (each whole warrant, a "Kainantu Warrant"). Each Kainantu Warrant was to be exercisable at a price of \$0.40 per Kainantu Share until December 3, 2023, subject to accelerated expiry. In connection with the Transaction, each Kainantu Unit was exchanged for units of the Company ("Unit") on a one for one basis and on the same terms and conditions. In connection with the Financing, the Company issued 572,400 units and paid \$38,220 in cash as finders' fees.

# **Kainantu Resources Ltd. (formerly PLB Capital Corp)**

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## **CORPORATE DIRECTORY**

### ***Directors & Management***

Marcus Engelbrecht – Non-executive Chairman  
Matthew Salthouse – Director & Chief Executive Officer  
Geoffrey Lawrence – Non-executive Director  
David Loretto – Non-executive Director

Bart Lendrum – Chief Financial Officer

### ***Company Secretary***

Pino Perrone

### ***Registered address and principal place of business***

2900 - 550 Burrard Street,  
Vancouver, British Columbia  
Canada  
V6C 0A3

### ***Auditor***

Davidson & Company LLP  
1200 – 609 Granville Street  
Pacific Centre Vancouver B.C.  
Canada V7Y 1G6

### ***Lawyers***

Fasken Martineau DuMoulin LLP  
2900 - 550 Burrard Street,  
Vancouver, British Columbia  
Canada  
V6C 0A3