# AWALÉ RESOURCES LIMITED

## Condensed interim consolidated financial statements
## March 31, 2023 and March 31, 2022

(unaudited)

(expressed in United States dollars)

**NOTICE TO READER**

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the management of Awalé Resources Ltd. Awalé Resources Ltd's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim financial statements by an entity's auditor

**Awalé Resources Limited**
**Condensed Interim Consolidated Statement of Financial Position**
(expressed in US dollars)
**(unaudited)**

| | Note | As at 31-Mar-23 $ | As at 31-Dec-22 $ |
|---|---|---|---|
| **Assets** | | | |
| Current | | | |
| Cash and cash equivalents | | 414,623 | 255,281 |
| Receivables | 5 | 18,988 | 207,701 |
| Prepaid expenses and other current assets | | 90,659 | 26,810 |
| **Total current assets** | | **524,270** | **489,792** |
| Non-current | | | |
| Deposit | | 7,700 | 8,483 |
| Property, plant and equipment | 6 | 74,023 | 77,555 |
| Exploration and evaluation | 7 | 5,271,122 | 5,244,175 |
| **Total Non-current assets** | | **5,352,845** | **5,330,213** |
| **TOTAL ASSETS** | | **5,877,115** | **5,820,005** |
| **Liabilities** | | | |
| Current | | | |
| Accounts payable and accrued liabilities | 8 | 2,396,087 | 2,102,483 |
| Provision | 12 | 131,857 | 130,145 |
| **Total Current liabilities** | | **2,527,944** | **2,232,628** |
| Non-current | | | |
| Loan | 11 | 29,571 | 29,519 |
| **Total Non-current liabilities** | | **29,571** | **29,519** |
| **Shareholders' equity** | | | |
| Capital stock | 9 | 10,791,037 | 10,791,037 |
| Reserves | 10 | 6,024,163 | 5,942,250 |
| Accumulated deficit | | (13,495,056) | (13,176,573) |
| Non-controlling interest | | (544) | 1,144 |
| **Total Shareholders' equity** | | **3,319,600** | **3,557,858** |
| **TOTAL LIABILITIES AND EQUITY** | | **5,877,115** | **5,820,005** |

Should be read in conjunction with the notes to the condensed interim consolidated financial statements

**Awalé Resources Limited**

**Consolidated Statements of Loss and Other Comprehensive Loss**

(expressed in US dollars)

**(unaudited)**

| **Three months ended** | | **31-Mar-23** | **31-Mar-22** |
|---|---|---|---|
| | | **$** | **$** |
| **Other Income** | | | |
| Interest revenue | | 1,785 | - |
| | | **1,785** | **-** |
| **Expenses** | | | |
| Write off/provision - exploration expense | 7 | (118,849) | (57,828) |
| Professional and consulting fees | | (90,538) | (14,707) |
| Salaries and directors' fees | | (68,304) | (66,924) |
| Office and regulatory expenses | | (26,254) | (31,613) |
| Investor relations | | (4,263) | (8,125) |
| Travel | | (1,874) | (2,463) |
| Share based compensation | | - | (101,127) |
| Depreciation | 6 | (694) | (6,345) |
| Foreign exchange gain/(loss) | | (9,492) | (531) |
| Total expenses | | (320,268) | (289,663) |
| **Loss before income tax** | | **(318,483)** | **(289,663)** |
| Income Tax expense | | - | - |
| **Loss after income tax** | | **(318,483)** | **(289,663)** |
| **Other Comprehensive Income/Loss** | | | |
| *Items that may be reclassified in future years to the statement of loss:* | | | |
| Net movement in foreign currency translation reserves net of tax | 10 | 38,416 | (233,163) |
| **Total comprehensive loss** | | **(280,067)** | **(522,826)** |
| Weighted average number of common shares outstanding | | 31,123,616 | 23,820,669 |
| Basic and diluted loss per share | 19 | (0.01) | (0.01) |
| *Attributable to:* | | | |
| Equity holders of the parent | | (278,379) | (521,530) |
| Non-controlling interest | | (1,688) | (1,296) |
| | | **(280,067)** | **(522,826)** |

Should be read in conjunction with the notes to the condensed interim consolidated financial statements

# Awalé Resources Limited
## Consolidated Statements of Changes in Equity
**(expressed in US dollars)**
**(unaudited)**

| | Capital stock (Note 9) | Accumulated Deficit | Reserves (Note 10) | Non controlling interests | TOTAL |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Balance, January 1, 2022** | **9,779,691** | **(4,694,310)** | **6,124,270** | **4,673** | **11,214,324** |
| Loss | - | (289,663) | - | - | (289,663) |
| Foreign exchange movements | - | - | (233,163) | - | (233,163) |
| Total comprehensive loss | - | (289,663) | (233,163) | - | (522,826) |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Issue of shares | 682,602 | - | (137,335) | - | 545,267 |
| Share issue costs | (5,210) | - | - | - | (5,210) |
| Warrant cost | (210,862) | - | 210,862 | - | - |
| Option cost | - | - | 101,127 | - | 101,127 |
| Movement in non -controlling interest | - | - | - | 1,296 | 1,296 |
| | 466,530 | - | 174,654 | 1,296 | 642,480 |
| **Balance, March 31, 2022** | **10,246,221** | **(4,983,973)** | **6,065,761** | **5,969** | **11,333,978** |
| Loss | | (8,192,600) | - | - | (8,192,600) |
| Foreign exchange movements | - | - | (219,441) | - | (219,441) |
| Total comprehensive loss | - | (8,192,600) | (219,441) | - | (8,412,041) |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Issue of shares | 544,816 | - | - | - | 544,816 |
| Option cost | - | - | 95,930 | - | 95,930 |
| Movement in non -controlling interest | - | - | - | (4,824) | (4,824) |
| | 544,816 | - | 95,930 | (4,824) | 635,922 |
| **Balance, December 31, 2022** | **10,791,037** | **(13,176,573)** | **5,942,250** | **1,144** | **3,557,858** |
| Loss | - | (318,483) | - | - | (318,483) |
| Foreign exchange movements | - | - | 38,416 | - | 38,416 |
| Total comprehensive loss | - | (318,483) | 38,416 | - | (280,067) |
| Movement in non-controlling interest | - | - | - | 1,688 | 1,688 |
| Shares to be issued | - | - | 43,497 | - | 43,497 |
| **Balance, March 31, 2023** | **10,791,037** | **(13,495,056)** | **6,024,163** | **(544)** | **3,319,600** |

Should be read in conjunction with the notes to the condensed interim consolidated financial statements

**Awalé Resources Limited**

**Condensed Interim Consolidated Statement of Cash Flows**

(expressed in US dollars)

**(unaudited)**

| **Three months ended** | | **31-Mar-23** | **31-Mar-22** |
|---|---|---|---|
| | | **$** | **$** |
| **Cash flow from operating activities** | | | |
| Interest received | | 1,785 | - |
| Proceeds from Newmont loan | 5 | 105,613 | - |
| Payments to suppliers and employees | | (69,017) | (165,018) |
| Payments for project generation | | (33,342) | - |
| **Total cash outflows from operating activities** | 17 | **5,039** | **(165,018)** |
| **Cash flows from investing activities** | | | |
| Payments for exploration activities | | (844,389) | (202,261) |
| Proceeds from earn -in – Newmont | 7 | 890,622 | - |
| Proceeds from earn -in – Newmont (management fee) | 7 | 58,915 | - |
| **Total cash inflows/(outflows) from investing activities** | | **105,048** | **(202,261)** |
| **Cash flows from financing activities** | | | |
| Proceeds fro shares to be issued | 10 | 43,497 | - |
| Proceeds from issue of share capital and warrants | | - | 505,165 |
| Share issue costs | | - | (5,210) |
| **Total cash inflows from financing activities** | | **43,497** | **499,955** |
| Net increase/(decrease) in cash equivalents | | 153,584 | 132,676 |
| Effect of fluctuations in exchange rate | | 5,758 | 21,850 |
| Cash at the beginning of the period | | 255,281 | 56,999 |
| **Cash at the end of period** | | **414,623** | **211,525** |

Should be read in conjunction with the notes to the condensed interim consolidated financial statements

## 1. Nature of operations

Awalé Resources Limited ("Awalé" or the "Company"), was incorporated under the Business Corporations Act of British Columbia on June 23, 2015. On April 14, 2016 the Company completed an initial public offering and became a capital pool company as defined in the TSX Venture Exchange ("TSXV") Policy 2.4.

The Company and its subsidiaries (the "Group) are involved in mineral exploration in Côte d'Ivoire.

The principal place of business and registered office is 8681, Clay Street, Mission, British Columbia, Canada.

## 2. Basis of preparation

These condensed interim consolidated financial statements for the three months ended March 31, 2023, and March 31, 2022 ("interim financial statements") have been prepared in accordance with IAS 34 *Interim Financial Reporting.* These interim financial statements do not include certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2022, which were prepared in accordance with IFRS as issued by the International Accounting Standards Board.

These interim financial statements of the Company and its subsidiaries for the three months ended March 31, 2023, were approved and authorized for issue by the Board of Directors on May 30, 2023.

### Presentation currency

These consolidated financial statements are presented in United States dollars (US$) this differs to the Parent Company's functional currency which is Canadian Dollars (C$). The presentation currency differs from the Parent Company's functional currency, as the Company incurs expenditure in multiple currencies and the US$ is commonly used as a reference in the junior exploration sector. All amounts are expressed in US$ unless otherwise noted. Functional currencies of each entity are set out below. Refer Note 3.

## 3. Significant accounting policies and future accounting changes

The accounting policies set out below have been applied consistently to all years presented in these financial statements except as discussed in the section – "New Accounting Standards".

### Basis of consolidation and functional currency

These consolidated financial statements include the accounts of the Company and its subsidiaries:

| Entity | Ownership percentage | Country of incorporation | Functional currency |
|---|---|---|---|
| Awalé Resources Limited (the Company) | - | Canada | Canadian Dollar (C$) |
| Awalé Resources Limited | 100.0% | Guernsey | United States dollar (US$) |
| Awalé Resources (SARL) | 100.0% | Côte d'Ivoire | West African CFA franc (CFA) |
| Srika Gold Limited | 100.0% | Côte d'Ivoire | West African CFA franc (CFA) |
| Africa New Geological Technologies Côte d'Ivoire SARL ("ANGET") | 90.0% | Côte d'Ivoire | West African CFA franc (CFA) |
| Aforo Resources Côte d'Ivoire | 100.0% | Côte d'Ivoire | West African CFA franc (CFA) |
| Aforo (Ivory Coast) Holdings Limited* | 100.0% | Australia | Australian Dollar (AUD) |

** in process of being closed down*

### 3. Significant accounting policies and future accounting changes (continued)

**Foreign currencies**
Transactions in foreign currencies are initially recorded by each entity in the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. All differences are taken to the statement of profit or loss and other comprehensive income ("OCI").

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in or profit or loss, respectively).

*Subsidiaries*
On consolidation, the assets and liabilities of foreign operations are translated into US$ at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

**Basis of consolidation**
The interim consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has all of the following:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group assets and liabilities, revenues, expenses and cash flows relating to intra-group transactions are eliminated.

Each Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary

*Non-controlling interest*
Non-controlling interest represents the minority shareholder's portion of the profit or loss and net assets of subsidiaries and is presented separately in the statement of financial position and statement of loss and comprehensive loss. Losses within a subsidiary are attributable to the non-controlling interests even if that results in a deficit balance.

**Cash and cash equivalents**
Cash and cash equivalents consist of cash in bank and petty cash.

**3. Significant accounting policies and future accounting changes (continued)**

**Property, plant and equipment**
Property, plant and equipment are carried at historical cost less any accumulated depreciation and impairment losses.

Depreciation is calculated on following basis over the estimated useful lives of property, plant and equipment:

| | |
|---|---|
| Office equipment, software and licenses | Straight line over 2 -5 years |
| Fixtures | Straight line over 10 years |
| Motor vehicles | Straight line over 3 years |

**Exploration and evaluation assets**
*Recognition and measurement*
Exploration and evaluation, including the costs of acquiring licenses and directly attributable general and administrative costs, initially are capitalized as exploration and evaluation. The costs are accumulated by areas of interest pending the determination of technical feasibility and commercial viability. Pre-license costs are expensed when incurred. Pre-exploration costs are expensed unless it is considered probable that they will generate future economic benefits.

The recoverability of amounts shown for exploration and evaluation is dependent upon the ability of each company to obtain financing to complete the exploration and development of its mineral resource properties, the existence of economically recoverable reserves and future profitable production, or alternatively, upon each company's ability to recover its costs through a disposition of its mineral resource properties. The amounts shown for exploration and evaluation do not necessarily represent present or future value. Changes in future conditions could require a material change in the amount recorded for exploration and evaluation.

The technical feasibility and commercial viability of extracting a mineral resource from an area of interest is considered to be determinable when proved and/or probable reserves are determined to exist, and the necessary permits have been received to commence production. A review of each area of interest is carried out at least annually. Upon determination of technical feasibility and commercial viability, exploration and evaluation is first tested for impairment and then reclassified to property, plant and equipment and/or intangibles or expensed to the statement of loss and comprehensive loss to the extent of any impairment.

*Farm-outs — in the exploration and evaluation phase*
The Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the Company as a gain on disposal.

*Impairment*
Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. One or more of the following facts and circumstances indicate that the Group should test exploration and evaluation assets for impairment:

(a) the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
(b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
(c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area.
(d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made.

### 3. Significant accounting policies and future accounting changes (continued)

**Exploration and evaluation assets (continued)**
An impairment loss is recognized in the statement of loss and comprehensive loss if the carrying amount of an area of interest exceeds its estimated recoverable amount. The recoverable amount of an area of interest used in the assessment of impairment of exploration and evaluation is the greater of its value in use ("VIU") and its fair value less costs of disposal ("FVLCTS"). FVLCTS refers to the price that would be received to sell the area of interest in an orderly transaction between market participants. For an area of interest that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the area of interest belongs. Impairment losses previously recognized are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount only to the extent that the area of interest's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

**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.

**Warrants**
Proceeds from the issue of common share purchase warrants ("warrants") treated as equity are recorded as a separate component of equity. Costs incurred on the issue of warrants are netted against proceeds. Warrants issued with common shares are measured at fair value at the date of issue using the Black-Scholes pricing model, which incorporates certain input assumptions including the warrant price, risk-free interest rate, expected warrant life and expected share price volatility. The fair value is included as a component of equity and is transferred from warrants to common shares on exercise

**Reserves**
Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currency to the Group's presentation currency are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve.

**Share-based payments**
The Company offers a stock option plan for its officers, directors, employees and consultants. The fair value of stock options for each vesting period is determined using the Black-Scholes option pricing model and is recorded over the vesting period as an increase to stock-based compensation and contributed surplus. Expected forfeiture is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon the exercise of stock options, the proceeds received by the Company and the related contributed surplus are recorded as an increase to share capital. In the event that vested stock options expire, previously recognized share-based compensation is not reversed. In the event that stock options are forfeited, previously recognized share-based compensation associated with the unvested portion of the stock options forfeited is reversed.

The fair value of share-based payment transactions to non-employees and other share-based payments including shares issued to acquire exploration and evaluation are based on the fair value of the goods and services received. If the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or services.

**3. Significant accounting policies and future accounting changes (continued)**

**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.

***Financial assets***

*Classification and measurement:*

The Group classifies its financial assets into the following categories: those to be measured subsequently at fair value (either through OCI, or profit or loss) and those to be held at amortized cost. Classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

At initial recognition, the Group measures a financial asset at its fair value plus transactions costs in the case of a financial asset not recorded at FVTPL.

Receivables at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment

*De-recognition*:

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

*Impairment:*

The Group recognises an allowance for estimated credit losses (ECLs) for all receivables not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. For receivables due in less than 12 months, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. The expected credit loss is based on its historical credit loss experience in the past two years, current financial difficulties of the debtor and is adjusted for forward-looking factors specific to the debtor and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

***Financial liabilities:***

*Recognition:*
All financial liabilities are initially recognized at fair value less transactions costs in the case of a financial liabilities not recorded at FVTPL.

*Classification and measurement*:
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or as loans, borrowings and payables at amortised cost.

**3. Significant accounting policies and future accounting changes (continued)**

**Financial Instruments (continued)**

*De-recognition*:
The Group derecognizes its financial liabilities when its contractual obligations are discharged, cancelled or expire.

**Current and non-current classification**
Assets and liabilities are presented in the statement of financial position based on current and non-current classification. An asset is classified as current when: it is either expected to be realized or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realized within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current. A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

**Loss per share**
The Company presents basic and diluted loss per share data for its ordinary shares. 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. As at March 31, 2023 and March 31, 2022, outstanding shares, stock options and warrants are anti-dilutive.

The calculation of basic and diluted EPS for all periods presented is adjusted retrospectively when the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalisation, bonus issue, or share split, or decreases as a result of a reverse share split. If such changes occur after the balance sheet date but before the financial statements are authorised for issue, the EPS calculations for those and any prior period financial statements presented are based on the new number of shares. The Company adjusted its calculation retrospectively for the effect of 8:1 share consolidation in the year ended December 31, 2021.

**Contingent Liabilities**
The Group 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.

**Employee benefits**
Short-term employee benefit liabilities pertain to wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

**Going concern**
These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Group 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.

The Company recorded a loss of $0.32 million and a comprehensive loss of $0.28 million for the three months ended March 31, 2023. As at March 31, 2023, the Company is in a net current liability position of $2.0 million (2022:$1.7 million) including $2.4 million of trade creditors and other payables (2022: $2.1 million). Cash on hand at year end was $414,623 (2022: $255,281) . Given the nature of the Group as an exploration entity, the Group does not generate profits or operating cash flows and therefore has historically been dependent on the capital markets to obtain funding.

**3. Significant accounting policies and future accounting changes (continued)**

**Going concern** (continued)

In June 2022 the Company entered into an earn-in agreement with Newmont Ventures Limited ("Newmont"). As described in note 7, this agreement will allow Newmont to earn-in to the Company's Odienné project by sole funding an agreed amount of exploration. This therefore means Odienné exploration and minimum expenditure commitments are funded for a period of greater than 12 month period, reducing Awalé's obligations in respect of this project while simultaneously advancing the exploration program. As operator of Odienné, Awalé cash calls Newmont in advance, making this project self-sufficient at present. Note 7 also describes that a provision for impairment has been recognized against all capitalized costs in respect of Bondoukou (contributing $7.3m to the accumulated deficit) to focus on Odienné. However, the Company retains the ability to find a Joint Venture partner, or to dispose of its interests in this project, therefore reducing the exploration expenditure commitment for the Company on this asset.

Notwithstanding the reduced exploration expenditure requirements, the Company continues to have corporate overheads to pay, primarily being salaries and wages, directors fees, professional fees, travel and listing costs. In the period from 31 December 2022 to the date of this report the Group has sought to conserve cash by reducing corporate activities where possible and to manage and repay existing trade creditors and employment payables where possible.

Management and the Directors continue to actively monitor the Group's liquidity and have reviewed its consolidated cashflow requirements. The Group's consolidated cashflow forecast shows the Group's current cash on hand is insufficient to meet its existing liabilities and minimum expenditure commitments for the 2023 financial year. The Group's current cash reserves are also insufficient to meet its planned corporate activities and working capital requirements.

Therefore, in order to continue to meet existing repayment obligations and fund general operating expenditure, the following events are in process or have been completed:

- On May 24, 2023 the Company announced the closing of its previously announced financings for gross proceeds of C$2.36 ($1.75m) million. The financings include a C$1.5 million ($1.1m) non-brokered private placement, including $1 million ($0.74 m) by Orecap Invest Corp. (formerly Orefinders Resources Inc.) and a concurrent C$860,610 ($636,851) brokered private placement led by Beacon Securities Limited. The proceeds will be allocated towards restructuring, conducting exploration activities in Côte d'Ivoire as well as for general and administrative expenses.
- Awalé has also agreed to settle CAD$342,555 in existing employee payables in shares.
- Upon completion of the above, the Group intends to raise US$2-3 million in capital via additional share issuances and/or private placements over the coming six months. The Group has confidence in the ability to raise these funds on the back of the proposed transactions above, recent positive drilling results from Odienné, and its history of shareholder support and ability to raise funds in the capital markets.

The proceeds of these transactions will allow for the settlement of existing debts and will provide working capital to fund general operating expenditure over the coming 12 months.

In the interim, the Group continues to closely manage liquidity and relies on the financial support of its large creditors and employees which enables the Group to defer payments which would otherwise be due and payable.

Whilst the Group has plans to find a Joint Venture partner for the non-core Bondoukou project, the Group has no plans to wholly dispose of any of its interests in mineral exploration and development assets. However, should the above events not occur, the Group does retain the ability to do so if required. Based on the opportunities above, the Directors are satisfied that the continued application of the going concern basis of accounting is appropriate. However, the Directors acknowledge that the above share issuances are required in order to remain a going concern.

### 3. Significant accounting policies and future accounting changes (continued)

**Going concern** (continued)

As such, a material uncertainty exists with regard to the ability of the Group to continue to operate as a going concern. Should the Group be unable to access further equity capital or execute any of other alternate funding arrangements, it will be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments that might be necessary should the Group not continue as a going concern.

**New and amended accounting standards and interpretation adopted by the Group**

The new and amended accounting standards and interpretations effective for the period ended March 31, 2023 have been adopted by the Group and there has been no material impact on adoption.

### 4. Significant accounting judgements, estimates and assumptions

These financial statements have been prepared in accordance with Note 1 Basis of Preparation and requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

***Significant accounting judgement***

*Accounting for contingent consideration payable on an asset acquisition* - In accounting for the cash component of contingent consideration payable on an asset acquisition, including future royalties, the Company considers IAS 37 Provisions, Contingent liabilities and Contingent Assets to be the applicable Accounting Standard. Accordingly, no obligation for the cash component of contingent consideration payable based on the future performance of the asset and actions of the Company is recognized at the date of purchase of the related asset

***Key Estimates***

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are as follows:

- *Impairment of exploration and evaluation* - Exploration and evaluation assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable through future exploitation or sale. Such circumstances include the period for which each company has the right to explore in a specific area, actual and planned expenditures, results of exploration, whether an economically-viable operation can be established and significant negative industry or economic trends. See Note 7.

- *Contractual obligation payable* - The Company has assessed the contractual obligation to Sandstorm as being more likely than not to not continue past 10 years from inception. Refer to Note 10 for further details.

(expressed in USD)

## 5. Receivables

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Other receivable | 7,890 | 16,707 |
| GST Receivable | 11,098 | 8,029 |
| Receivable – Newmont Ventures Limited (i) | - | 105,613 |
| Receivable- Newmont Ventures Limited (ii) | - | 77,352 |
| | **18,988** | **207,701** |

i) As part of the Exploration Agreement entered into with Newmont the Company advanced the minority interest holders $100,000. These funds are to be repaid by Newmont prior to December 31, 2023 and bears interest at a rate of US prime plus 4.5%. Refer to Note 7 for further details. The balance was extinguished during the period ended March 31, 2023 on full on repayment of the balance owing.

ii) The Company signed an Exploration Agreement with Newmont on June 15, 2022 which gives Newmont the right to fund exploration activities up to a pre-feasibility phase on the Odienné project in exchange for 51% interest in the project. Refer to Note 7 for further details. At December 31, 2022 the Company recognized a receivable for exploration costs incurred in the period ending December 31, 2022 which relate to the Odienné Project and are subject to funding by Newmont under the Exploration Agreement. Funds were received in January 2023 for these costs incurred.

As at March 31, 2023 no allowance for ECLs has been recognised (2022 – nil), as it is expected that all receivables will be received in full when due.

## 6. Property, plant and equipment

| **2023** | **Fixtures** | **Mobile equipment and parts** | **Motor vehicles** | **Software and licenses** | **TOTAL** |
|---|---|---|---|---|---|
| **Gross carrying amount at cost** | **$** | **$** | **$** | **$** | **$** |
| January 1, 2023 | 24,746 | 66,370 | 131,695 | 34,005 | 256,816 |
| Additions | - | - | - | - | - |
| Foreign exchange movements | 325 | 873 | 1,732 | 447 | 3,377 |
| March 31, 2023 | 25,071 | 67,243 | 133,427 | 34,452 | 260,193 |
| **Accumulated depreciation and impairment** | | | | | |
| January 1, 2023 | (13,460) | (36,505) | (96,604) | (32,692) | (179,261) |
| Depreciation | (605) | (89) | - | - | (694) |
| Foreign exchange movements | (199) | (1,390) | (4,196) | (430) | (6,215) |
| March 31, 2023 | (14,264) | (37,984) | (100,800) | (33122) | (186,170) |
| **Net book value 2023** | **10,807** | **29,259** | **32,627** | **1,330** | **74,023** |

(expressed in USD)

### 6. Property, plant and equipment (continued)

| 2022<br>Gross carrying amount at cost | Fixtures<br>$ | Mobile equipment and parts<br>$ | Motor vehicles<br>$ | Software and licenses<br>$ | TOTAL<br>$ |
|---|---|---|---|---|---|
| January 1, 2022 | 26,246 | 62,858 | 139,679 | 32,217 | 261,000 |
| Additions | - | 6,432 | - | 3,569 | 10,001 |
| Foreign exchange movements | (1,500) | (2,920) | (7,984) | (1,781) | (14,185) |
| December 31, 2022 | 24,746 | 66,370 | 131,695 | 34,005 | 256,816 |
| **Accumulated depreciation and impairment** | | | | | |
| January 1, 2022 | (11,571) | (33,361) | (87,019) | (31,145) | (163,096) |
| Depreciation | (2,508) | (4,966) | (14,316) | (3,272) | (25,062) |
| Foreign exchange movements | 619 | 1,822 | 4,731 | 1,725 | 8,897 |
| December 31, 2022 | (13,460) | (36,505) | (96,604) | (32,692) | (179,261) |
| **Net book value 2022** | **11,286** | **29,865** | **35,091** | **1,313** | **77,555** |

### 7. Exploration and evaluation assets

| | Jan 1, 2023<br>$ | Additions<br>$ | Earn-in recovery<br>$ | Earn-in recovery-management fee<br>$ | Write off/Provision<br>$ | Foreign exchange movement<br>$ | Mar 31, 2023<br>$ |
|---|---|---|---|---|---|---|---|
| **At cost** | | | | | | | |
| Odienné | 5,199,359 | 567,905 | (508,990) | (58,915) | (16,867) | 43,814 | 5,226,306 |
| Sienso | 44,816 | - | - | - | - | - | 44,816 |
| | **5,244,175** | **567,905** | **(508,990)** | **(58,915)** | (16,867) | 43,814 | **5,271,122** |

| | Jan 1, 2022<br>$ | Additions<br>$ | Earn-in recovery<br>$ | Earn-in recovery-management fee<br>$ | Write off/Provision<br>$ | Foreign exchange movement<br>$ | Dec 31, 2022<br>$ |
|---|---|---|---|---|---|---|---|
| **At cost** | | | | | | | |
| Bondoukou | **6,973,003** | 589,055 | - | - | (7,279,302) | (282,756) | - |
| Odienné | **5,203,236** | 1,221,113 | (951,194) | (79,320) | - | (194,476) | 5,199,359 |
| Sienso | **-** | 44,816 | - | - | - | - | 44,816 |
| | **12,176,239** | **1,854,984** | **(951,194)** | **(79,320)** | **(7,279,302)** | **(477,232)** | **5,244,175** |

**7. Exploration and evaluation assets (continued)**

**Bondoukou**
The Company's large district scale exploration project in Côte d'Ivoire, the Bondoukou project, consists of two permits Bondoukou Est and Bondoukou Nord Est and one application: Bondoukou Nord. These concessions lie along the southwestern extension of the Birimian-age Bole-Nangodi greenstone belt in adjacent Ghana, which is host to a number of orogenic-type gold deposits.

Due to the scale and financial commitment involved in exploring this project, and the current focus of the Company on the Odienné project, the Company recognised a provision over the Bondoukou project in the twelve months ending December 31, 2022. The Company is in discussions with a potential partner to joint venture the exploration work on this project but cannot guarantee the outcome at this juncture.

The expenditure commitments for Bondoukou as a whole at March 31, 2023 are disclosed in Note 16. These commitments will fall away if the Company returns the licenses.

**Odienné**
The Odienné licences, containing Awalé's most advanced asset and first gold discovery at its Empire prospect, lie in the north west of Côte d'Ivoire and consist of the granted 'Odienné East', and two licences in application; Odienné Ouest (adjacent to the granted Odienné East permit) and Zouan-Hounien (350km to the south). These licences are held under a separate agreement with ANGET with 90% being owned by Awalé Resources Limited. The Empire Prospect, with this gold discovery, prioritizes the Company's focus to extend mineralization with the ultimate aim of developing a maiden resource statement.

On June 15, 2022 the Company announced TSXV approval had been received for the exploration agreement with venture option ("Exploration Agreement") with Newmont in relation to the Company's Odienné Project in northwest Côte d'Ivoire.

*Key Terms of Exploration Agreement*

The Exploration Agreement gives Newmont the ability to fund exploration activities up to a pre-feasibility phase on the following basis:

- Phase 1 Newmont can earn a 51% interest in the Odienné Project by:
  - Sole Funding US$5 million in exploration expenditures within three years of the effective date of the Exploration Agreement.
  - The Odienné Project will be operated by Awalé during this time.
- Phase 2- Newmont may earn an additional 14% interest for a total of a 65% interest in the Odienné Project by:
  - Funding a further US$10 million in exploration expenditure, and
  - Defining a minimum 2-million-ounce gold resource.
  - Newmont has the option to elect to become project manager upon commencement of Phase 2.
  - Phase 2- Newmont may acquire an additional 10% interest, not held by Awalé, for a total of a 75% interest in the Odienné Project:

To facilitate the earn-in agreement, Awalé advanced the minority holders $100,000. These funds are to be repaid by Newmont prior to December 31, 2023 and bears interest at a rate of US prime plus 4.5%. This balance was repaid in full in the period ending March 31, 2023. Refer to Note 5.

- Post-Phase 2
  - Awalé may maintain its 25% project interest by funding its proportionate cost of a feasibility study on the Odienné Project and development of a mine. In the event Awalé elects not to fund then Awalé can dilute down to a net 15% and effectively be carried to production on the following basis:
    1. Dilute by an additional 5%, if the Company elects not to contribute its pro rata share of expenditures in connection with the preparation of a feasibility study for the Property; and
    2. Dilute an additional 5%, if the Company elects to have Newmont pay the Company's share of expenditures necessary to bring the Property into commercial production.

(expressed in USD)

## 7. Exploration and evaluation assets (continued)

Effective from June 1, 2022 the Company is accounting for this agreement as a farm-out arrangement. Refer to Note 3 for accounting policy,

Reconciliation of earn in recovery is detailed below:

| | 2023<br>$ |
|---|---|
| Earn in recovery received to date | 1,902,739 |
| Earn in recovery acquitted | (1,598,419) |
| **Earn in – unspent funds** (refer Note 8) | **304,320** |

During the period ending March 31, 2023 the Company receipted $949,537 in Newmont earn-in funds including a management fee $58,915.

**Sienso**

Awalé entered into an option to purchase agreement with Turaco Gold Limited (”Turaco”) over the PR 840 "Sienso" permit. The Sienso permit covers 326 sq km and borders the eastern flank of the Odienné Newmont Corporation Joint Venture project.

On July 29, 2022, TSXV approval was given to the transaction and Awalé made an option payment to Turaco equal to C$57,471 (US$44,816) by way of issuing shares at an agreed price of C$0.197. Upon the successful renewal of the permit PR840 in 2023, and subject to Awalé wishing to proceed with the 100% acquisition of PR840, Awalé will issue Turaco 680,715 Awalé shares as final payment. The shares will be issued at an agreed price today of C$0.197 for value C$134,100 subject to Exchange approval.

**Other- project generation**

During the three months ending March 31, 2023 the Company recorded $118,849 in costs was it continued to have operations in Cote d’Ivoire and looked for additional opportunities outside of its current projects in Cote d’Ivoire. These costs have been expensed to the Statement of Profit or Loss for the three months ending March 31, 2023.

The Group has potential commitments in relation to its Bondoukou and Odienné properties. Refer to Note 16 for details of these commitments.

## 8. Accounts Payable and Accrued Liabilities

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Trade creditors and accruals | 1,249,994 | 1,472,100 |
| Unspent Newmont funds – earn-in (refer Note 7) | 304,320 | - |
| Employment payables | 547,696 | 436,517 |
| Social obligation payables | 272,917 | 179,218 |
| Other creditors | 21,160 | 14,648 |
| | **2,396,087** | **2,102,483** |

Trade creditors and accruals are unsecured and are generally on terms of 30 days. The Company is relying on the financial support of its larger creditors and employees which enables the Group to defer payments which would otherwise be due and payable.

(expressed in USD)

## 9. Capital stock

The Company is authorized to issue ordinary shares.

| | | Number of shares | $ |
|---|---|---|---|
| January 1, 2022 | | **23,348,138** | **9,779,691** |
| Issue of shares- private placement | (ii) | 4,032,500 | 642,500 |
| Issue of shares- shares for services | (i) | 218,249 | 40,102 |
| Warrant cost | (ii) | - | (210,862) |
| Share issue costs | (ii) | - | (5,210) |
| **March 31, 2022** | | **27,598,887** | **10,246,221** |
| Issue of shares- private placement | (iii) | 3,232,994 | 500,000 |
| Issue of shares- Turaco acquisition | (iv) | 291,735 | 44,816 |
| **December 31, 2022** | | **31,123,616** | **10,791,037** |
| | | | |
| **March 31, 2023** | | **31,123,616** | **10,791,037** |

All issued ordinary shares are fully paid and have no par value. The holders of the shares are entitled to receive dividends and are entitled to one vote per share. All shares rank equally with regard to the Company's residual assets in the event of a wind-up. Included in Capital Stock are shares which are subject to escrow and hold provisions. These escrowed shares will be released periodically over the next three years in line with the relevant agreements. These shares may not be transferred, assigned or otherwise dealt without the consent of the regulatory authorities.

On November 10, 2021, the Company announced the directors had approved a consolidation of its common shares on the basis of one new common share for every eight outstanding shares. On December 1, 2021, the Company received approval for its share consolidation on a 8:1 basis which became effective on December 6, 2021. Immediately post consolidation the Company had 23,348,138 common shares issued and outstanding including rounding for fractional shares.

(i) Pursuant to the Memorandum of Understanding (MoU") with Geodrill Limited (TSX: GEO "Geodrill") as announced April 12, 2021, the Company issued the following shares in settlement of drilling services:
- January 6, 2022, 218,249 shares totalling $40,102.

The number of shares issued is based on the fair value of services received.

(ii) On March 25, 2022, the Company announced that it had completed the 1st tranche of its non-brokered private placement as announced March 22, 2022, for 4,032,500 units at a price of $0.16 (C$0.20) per unit raising gross proceeds of $642,500 (C$806,500) and incurred share issue costs of $5,210. The proceeds of the Offering to be used for ongoing exploration expenditure on its Odienné project in Côte D'Ivoire and for general overheads, working capital and operating expenses. The units consist of one common share and one-half share purchase warrant, each whole warrant entitling the holder to acquire one additional common share at a price of $0.32 (C $0.40) per share until expiry on March 24, 2024.

(iii) On June 15, 2022, the Company announced it had finalized its non-brokered placement with Newmont and issued 3,232,994 units at a price of $0.16 (C$0.197) raising gross proceeds of $500,000 (C$ 636,900). The proceeds of the Offering to be used for ongoing exploration expenditure on the Company's Côte d'Ivoire projects. All securities issued under the Offering are subject to a hold period trading restriction which will expire on October 16, 2022. As a result of the Offering, Newmont has become an insider of the Company having acquired 10.49% of the Company's current issued and outstanding shares.

(iv) On July 29, 2022 the Company issued 291,735 shares at $0.15 (C$0.197) as an Option Payment to Turaco as a result of the signing of an option to purchase agreement with Turaco over the PR 840 "Sienso" permit in Côte d'Ivoire.

(expressed in USD)

## 10. Reserves

| | Option Reserve | Warrant Reserve | FCTR | Other Reserve | Deferred equity | TOTAL |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| January 1, 2022 | **1,219,539** | **4,278,833** | **(455,325)** | **943,888** | **137,335** | **6,124,270** |
| Shares to be issued | - | - | - | - | (137,335) | (137,335) |
| Option cost | 101,127 | - | - | - | - | 101,127 |
| Warrant cost | - | 210,862 | - | - | - | 210,862 |
| Foreign exchange difference | - | - | (233,163) | - | - | (233,163) |
| **March 31, 2022** | **1,320,666** | **4,489,695** | **(688,488)** | **943,888** | - | **6,065,761** |
| Option cost | 95,930 | - | - | - | - | **95,930** |
| Warrant cost | - | - | - | - | - | - |
| Foreign exchange difference | - | - | (219,441) | - | - | (219,441) |
| **December 31, 2022** | **1,416,596** | **4,489,695** | **(907,929)** | **943,888** | - | **5,942,250** |
| Shares to be issued | - | - | - | - | 43,497 | 43,497 |
| Warrant cost | - | - | - | - | - | - |
| Foreign exchange difference | - | - | 38,416 | - | - | 38,416 |
| **March 31, 2023** | **1,416,596** | **4,489,695** | **(869,513)** | **943,888** | **43,497** | **6,024,163** |

### (a) Warrants

A summary of the Company's warrants is presented below:

| | | Number of warrants | Weighted average exercise price $ |
|---|---|---|---|
| Balance January 1, 2022 | | **9,149,302** | **0.80*** |
| Issued | (i) | 2,016,250 | 0.32 |
| **Balance March 31, 2022** | | **11,165,552** | **0.71** |
| **Balance December 31, 2022** | | **11,165,552** | **0.71** |
| **Balance March 31, 2023** | | **11,165,552** | **0.71** |

**adjusted retrospectively for impact of share consolidation*

**10. Reserves (continued)**

(i) On March 24, 2022, the Company issued 2,016,250 warrants with an expiry date of March 24, 2024 in connection with the first tranche of the private placement completed on March 22, 2022. The Company recorded a warrant cost of $210,862 against equity for the twelve months ending December 31, 2022.

The following assumptions were used in connection with this grant using the Black-Scholes model:

| | |
|---|---|
| Risk free rate | 2.13% |
| Expected volatility | 293% |
| Expected life | 2 years |
| Share price on date of grant | $0.15 |
| Exercise price | C$0.40 ($0.32) |
| Expected dividend | nil |

Subsequent to the period the Company announced the closing of a brokered placement and private financing that includes the issue of warrants, Refer to Note 20 for further details

**(b) Options**

A summary of the Company's options is presented below (denominated in US$):

| | Number of options | Weighted average exercise price $ |
|---|---|---|
| Balance January 1, 2022 | 1,693,750 | 1.04* |
| **Balance March 31, 2022** | **1,693,750** | **1.04** |
| Balance December 31, 2022 | 1,693,750 | 1.04 |
| **Balance March 31, 2023** | **1,693,750** | **0.31** |

**adjusted for impact of share consolidation*

On March 22, 2022, the Company announced the Board of Directors, had approved the repricing of a total of 1,693,750 stock options of the Company from previously C$2.00 and C$0.96 to C$0.40 ($0.31) per common share.

At the Annual General Meeting, shareholders of the Company approved the Company's proposed new restricted share unit plan (the "RSU Plan"). Restricted share units ("RSUs") granted under the RSU Plan will rise and fall in value based on the value of the Shares. Unlike Options, RSUs will not require the payment of any monetary consideration to the Company. Instead, each RSU represents a right to receive one Share following the attainment of vesting criteria determined at the time of the award.

The RSU Plan is a fixed plan pursuant to which the number of Shares that may be issued pursuant to RSUs granted under the RSU Plan is fixed at 457 859; provided, however, that the total number of Shares which may be issued pursuant to RSUs and Options granted under the Amended Option Plan is a maximum of 10% of the issued and outstanding Shares at the time of grant.

**10. Reserves (continued)**

The Company has reserved up to a maximum of 457,859 shares (adjusted for 8:1 share consolidation) for issuance upon the redemption of RSUs granted under the RSU Plan, representing approximately 1.96% of the Company's issued and outstanding Shares; and when combined with the maximum number of Shares which may be reserved for issuance under all other security-based compensation arrangements of the Company shall not exceed 10% of the total number of Shares issued and outstanding from time to time. Each RSU will vest in such manner as determined by the Board of Directors or the Committee at the time of grant with settlement of RSUs being on the vesting date, the Company at its sole and absolute discretion have the option of settling the RSUs in cash (if applicable) or Shares to be issued from the treasury of the Company. The cost of the RSU will be recorded as a share-based payment on granting of the RSUs.

Subsequent to the period, the Company announced a granted incentive stock options under the Company's stock option plan to directors, officers and certain employees, including to the newly appointed directors, to purchase up to 3,605,000 Common Shares exercisable at a price of C$0.20 ($0.15) per Common Share for a period of five years. Refer to Note 20 for further details.

**(c) Other reserve**

The Company has a contractual obligation in relation to its acquisition of Awalé and Aforo on December 29, 2017. This contractual obligation is a share-based payment as the Company will issue equity instruments in exchange for the acquisition of assets.

On April 29,2021 the Company delivered to Sandstorm C$200,000 (US$162,343), calculated under the renegotiated criteria (see below) consisting of 1,478,747 shares at a price of C$0.13 (US$0.11).

During the period ended December 31, 2019, the Company renegotiated the annual payments due under the agreement with Sandstorm. Annual payments will now become due by applying the following criteria:

- No annual payment due if market capitalization of the Company is less than C$10 million on the anniversary date of payment.
- Annual payment of C$200,000 due if market capitalization is between C$10 million and C$20 million on the anniversary date of payment; and
- Annual payment of C$400,000 due if market capitalization is above C$20 million on the anniversary date of payment.

The Company has an obligation to make annual deferred payments (subject to the newly agreed criteria detailed above) on each anniversary of the acquisition of the projects for up to 15 years, payable in cash or shares at the Company's election, until commercial production is achieved on one of the subsidiaries' projects, or certain other events occur which are further described in detail below:

The Company is required to make the annual payments referred to above until the earlier of:

- the date on which commercial production is achieved on the applicable project.
- if the Company has announced a mineral resource on one of the projects, the date that is 15 years after the Closing Date;
- the date that is 10 years after the Closing Date if a mineral resource has not been announced on the applicable project by such date;
- the date on which the Company makes a pre-payment in respect of a particular project in accordance with the provisions described below; and
- the date on which the Company transfers a project back to Sandstorm in accordance with the provisions described below.

The annual payments described above are payable in Company Shares, however the Company may elect to make a payment in cash. If the payments are made in Company Shares, the number of shares to be issued will be based on a price per Company Share equal to the greater of: (i) the 20-day trailing volume weighted average trading price of the

(expressed in USD)

**10. Reserves (continued)**

Company Shares on the Exchange as at the due date for the applicable payment; and (ii) the minimum price that is acceptable to the Exchange.

Pursuant to the Awalé Acquisition Agreement, the Company may, at any time after the fifth anniversary of the Closing, elect to cease to make annual payments in respect of any or all of the projects by making a payment in cash in respect of such project or projects to Sandstorm as follows:

- in respect of the Bondoukou Project, C$2,250,000.
- in respect of the Odienné Project, C$375,000.

In addition, the Company may, at any time after the Closing, elect to cease to make annual payments in respect of all or any of the projects by transferring the applicable project or projects back to Sandstorm, either by way of the transfer of shares of the subsidiary or subsidiaries that hold(s) the applicable project or projects or by way of transfer of the licenses and license applications comprising the project or projects. In the twelve months ending December 31, 2021 the Company relinquished the Abengourou project.

In 2017 management assessed that the contractual obligation period will not extend beyond 5 years having taken into consideration the above factors and therefore originally determined the fair value on the grant date based on the net present value of its obligation over a 5 year period, using an average discount rate of 1.86%.

The Company reassesses the most likely outcome of this share based payment transaction at each reporting date. With respect to Bondoukou and Odienné, the obligation is expected to extend 10 years from the original agreement (4.5 years from December 2022). Where relevant the measurement of the transaction is revised using the original fair value determined at the date the Company gained control of the assets.

The Company will assess the impact on the obligation payable balance when an outcome over the Bondoukou joint venture discussions are known.

d) **Deferred equity**

At March 31, 2023 the Company received $43,497 in advance of the closure of the private placement on May 24, 2023.

**11. Loan**

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Loan | 29,571 | 29,519 |
| **Balance March 31, 2023** | **29,571** | **29,519** |

The following table sets out the movements in the loan during the period:

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Balance January 1, 2023 | 29,519 | 31,662 |
| Foreign exchange movement | 52 | (2,143) |
| **Balance March 31, 2023** | **29,571** | **29,519** |

In April 2020, the Company received C$40,000 as part of the Bank of Montreal's Canada Emergency Business Account ("CEBA") program introduced as part of the Canadian Government's COVID-19 relief measures. The Company entered into an interest-free loan of C$40,000 with the Bank of Montreal, guaranteed by the Government of Canada, to help cover operating costs for businesses which may have been impacted by COVID-19.

(expressed in USD)

## 11. Loan (continued)

During the period the Government of Canada revised payments terms. The Government program payment terms are now as follows:

- Interest:
  - 0% per annum interest until December 31, 2023
  - 5% per annum interest starting on January 1, 2024;
- Repayments & Maturity:
  - No principal repayment required before December 31, 2023
  - If loan remains outstanding after December 31, 2023, only interest payments required until full principal is due on December 31, 2025.
- Debt Forgiveness:
  - If the outstanding principal, other than the amount of potential debt forgiveness (25%), is repaid by December 31, 2023, the remaining principal amount will be forgiven, provided that no default under the loan has occurred.

The repayment of the loan will be through the Bank of Montreal, not the Canadian Government.

## 12. Provision

During the year ended December 31, 2022 the Company underwent a tax audit of its subsidiaries based in Cote d'Ivoire by the Directorate General of Taxation (Ivorian tax authority) for the financial years ending 2019, 2020 and 2021. As a result of the audit, the Ivorian tax authority identified some local transactions that it believes attract a 1% withholding tax ("WH tax"). The Company does not believe this tax is applicable and intends to contest the findings of the tax department However, due to the uncertainty over the outcome, the Company has recorded a provision for the amounts identified by the tax authority related to the years subjected to the tax audit and for transactions that fall into the category identified by the tax authorities for the year ending December 31, 2022 (which has not yet been subject to a tax audit).

| | **2023** | **2022** |
|---|---|---|
| Current | **$** | **$** |
| Provision for WH tax | 131,857 | 130,145 |
| | **131,857** | **130,145** |

(expressed in USD)

### 13. Determination of fair values

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

| ***As at December 31, 2022*** | **Cash<br>$** | **Receivables<br>$** | **Other liabilities<br>$** | **Total carrying amount<br>$** | **Total fair value<br>$** |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | 255,281 | - | - | 255,281 | 255,281 |
| Receivables | - | 182,965 | - | 182,965 | 182,965 |
| | **255,281** | **182,965** | **-** | **438,246** | **438,246** |
| **Liabilities** | | | | | |
| Accounts payable and accrued liabilities | - | - | 1,099,548 | 1,099,548 | 1,099,548 |
| Loan | - | - | 29,519 | 29,519 | 29,519 |
| | **-** | **-** | **1,129,067** | **1,129,067** | **1,129,067** |

| ***As at March 31, 2023*** | **Cash<br>$** | **Receivables<br>$** | **Other liabilities<br>$** | **Total carrying amount<br>$** | **Total fair value<br>$** |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | 414,623 | - | - | 414,623 | 414,623 |
| **Liabilities** | | | | | |
| Accounts payable and accrued liabilities | - | - | 1,185,881 | 1,185,881 | 1,185,881 |
| Loan | - | - | 29,571 | 29,571 | 29,571 |
| | **-** | **-** | **1,215,452** | **1,215,452** | **1,215,452** |

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of cash and cash equivalents, receivables, accounts payable and accrued liabilities approximate their carrying values due to their short-term nature.

### 14. Financial risk management

The activities of the Company expose them to a variety of financial risks that arise as a result of their exploration, development and financing activities, including credit risk, liquidity risk and market risk. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

**14. Financial risk management (continued)**

The Board of Directors of the Company oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

***Credit risk***
Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company's' cash and cash equivalents. The Company holds its key operational bank accounts with reputable banks of international financial institutions.

***Liquidity risk***
Liquidity risk is the risk that the Company will encounter difficulty in meeting their financial liabilities that are settled in cash or other financial assets. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as they come due. The amounts for accounts payable and accrued liabilities are subject to normal trade terms The Company expects to settle its financial liabilities within normal trading terms.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

***As at December 31, 2022***

| | Less than 3 months | 3 to 12 months | 1 to 5 years | Total |
|---|---|---|---|---|
| Accounts payables and accrued liabilities | 1,099,548 | - | - | 1,099,548 |
| Loan | - | - | 29,519 | 29,519 |

***As at March 31, 2023***

| | Less than 3 months | 3 to 12 months | 1 to 5 years | Total |
|---|---|---|---|---|
| Accounts payables and accrued liabilities | 1,185,881 | - | - | 1,185,881 |
| Loan | 29,571 | - | - | 29,571 |

***Market risk***

Market risk is the risk that changes in market prices, such as foreign exchange rates will affect the Company's income or the value of its financial instruments.

***Foreign currency risk***

Foreign currency risk is the risk that the Company financial performance will be affected by fluctuations in the exchange rates between currencies. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when expenses are denominated in currencies other than the respective functional currencies). The Company manages this foreign currency risk by matching payments in the same currency and monitoring movements in exchange rates.

The following table details balances held and subject to foreign currency movements as at March 31, 2023 (balances expressed in US$):

| Currency of balance | CAD | AUD | GBP | CFA |
|---|---|---|---|---|
| **2023 Net exposure** | **(117,861)** | **(278,244)** | **83** | **(827,883)** |
| 2022 Net exposure | (240,512) | (266,574) | (285) | (724,814) |

(expressed in USD)

### 14. Financial risk management (continued)

At March 31, 2023 with other variable remaining unchanged, a +/- 10% change in exchange rates would increase/decrease pre-tax loss of $135,989(2022: $136,909).

The Company does not use derivatives to manage the exposure to foreign exchange risk.

***Capital management***

Capital of the Company consists of capital stock and deficit. The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern so it can acquire, explore and develop mineral resource properties for the benefit of its shareholders. The Company manages its capital structure and makes adjustments based on the funds available to it in light of changes in economic conditions.

The Board of Directors of the Company has not established quantitative return on capital criteria for management, but rather relies on the expertise of the management to sustain the future development of the Company. In order to facilitate the management of their capital requirements, the Company prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company is reasonable.

The Company's principal source of capital is from the issue of ordinary shares. In order to achieve its objectives, the Company intends to raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to capital management during the year.

### 15. Related party transactions

a) Related party transactions

For the three months ended March 31, 2023 the Company incurred employment costs and fees to directors and officers, or to companies associated with these individuals as follows:

| | **2023** | **2022** |
|---|---|---|
| | **$** | **$** |
| Non-executive directors' fees (i) | 20,000 | 15,000 |
| CEO fees & entitlements (ii) | 26,423 | 25,000 |
| COO fees & entitlements | 45,000 | 45,000 |
| Accounting fees – CFO services (iii) | 13,317 | 14,252 |
| Company secretarial fees (iv) | 7,857 | 8,499 |
| Share based payment | - | 49,875 |
| | **112,597** | **157,626** |

(i) Includes fees paid/payable to DH Mining Advisory Services, a company owned by D. Hartman
(ii) Includes an amount paid/payable to Parsons Capital Superfund - a superannuation fund controlled by G. Parsons
(iii) Amount paid/payable to Genco Professional Services Pty Ltd – a company controlled by S. Cooper
(iv) Amount paid/payable to Marketworks Pty Ltd – a company controlled by K Witter

In addition to the above the Company's related parties includes intercompany loan balances with its subsidiaries as set out in Note 3. These balances are eliminated on consolidation.

(expressed in USD)

**15. Related party transactions (continued)**

b) Related party balances owing

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| CEO fees & expense reimbursement (i) | 124,049 | 95,663 |
| COO fees & expense reimbursement | 182,337 | 167,586 |
| Non-executive fees & expense reimbursement (ii) | 82,147 | 74,573 |
| Special committee fees (ii) | 50,000 | 50,000 |
| Accounting fees – CFO services & expense reimbursement (iii) | 90,741 | 55,355 |
| Company- secretarial fees & expense reimbursement (iv) | 35,983 | 31,350 |
| | **565,257** | **474,527** |

(i) Includes an amount paid/payable to Parsons Capital Superfund - a superannuation fund controlled by G. Parsons
*(ii)* Includes an amount payable DH Mining Advisory Services, a company owned by D. Hartman
(iii) Amount payable to Genco Professional Services Pty Ltd – a company controlled by S. Cooper
(iv) Amount payable to Marketworks Pty Ltd – a company controlled by K Witter

Amounts are unsecured and payable in cash.

**Compensation of key management personnel**

The Company considers its officers and directors to be key management personnel. Transactions with key management personnel for the three months ended March 31, 2023, are set out below:

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Short term benefits (i) & (ii) | 90,230 | 90,376 |
| Short term benefits- Non-executive directors' fees (iv) | 20,000 | 15,000 |
| Post - employment benefits (iii) | 2,366 | 2,375 |
| Share based payment benefits | - | 49,875 |
| | **112,596** | **157,266** |

(i) Includes an amount paid/payable to Genco Professional Services Pty Ltd – a company controlled by S. Cooper
(ii) Includes an amount paid/payable to Marketworks Inc. – a company controlled by K Witter
(iii) Amount paid/payable to Parsons Capital Superfund - a superannuation fund controlled by G.Parsons
(iv) Includes fees paid/payable DH Mining Advisory Services, a company owned by D. Hartman for non-executive director fees

**Other**

Subsequent to the period the Company announced that Glen Parsons will be stepping down as CEO and resigning from the Board. Refer to Note 20 for further details.

(expressed in USD)

## 16. Commitments and contingencies

The Company has the following commitments and contingencies. Payment is contingent on the continued operations based on successful exploration results at its properties:

| **Payment** | **Condition** |
|---|---|
| *Contingent payments* | |
| US$1,845,000<br>(2021: US1,845,000) | Payable to original ANGET partners upon the Company making a decision to mine in respect of the First Grant of the Odienné property, the approval of a mining plan by the relevant authority, and securing finance to carry out that mining plan so as to take the mine to production stage. |
| Resource milestone payments to a maximum<br>US$3,500,000<br>(2021:US$3,500,000) | Payable to Awalé Holdings a resource milestone payment, in accordance with the Share Purchase Agreement dated January 13,2017, of:<br>• US$0.50 per ounce of reported gold Mineral Resources for any Mineral Resource delineated up to the first one million ounces; and<br>• US$1.00 per ounce of reported gold Mineral Resources for any Mineral Resource delineated over the first one million ounces; and<br>• a catch-up payment of US$0.50 per ounce of reported gold Mineral Resources for any Mineral Resource ounces that were delineated prior to the delineation of a Mineral Resource greater than one million ounces,<br>All subject to a maximum of US$3.5 million. |
| US$800,000 | Payable to Newoka Resources upon the Bondoukou project changing from an exploration license to a mining license with intent of commercial production. |
| *Commitment payments* | |
| Total CFA 2,413,517<br>(US$3,998,474) at March 31, 2023<br>(2021: CFA 2,002,411,021<br>(US$3,472,856)) | Minimum exploration spend commitment within the next three years at the following properties:<br>Bondoukou,project CFA 1,714,116,466 (US$2,839,777)<br>Odienné project CFA 699,400,674 (US1,158,697) |

Awalé is required to pay a 2% net smelter royalty to Sandstorm on any products sold from the Awalé and Aforo properties as detailed in the Net Smelter Returns Royalty Agreements dated December 29, 2017.

## 17. Cash flows

| | **As at March 31, 2023** | **As at March 31, 2022** |
|---|---|---|
| | **$** | **$** |
| (Gain)/Loss after income tax | **(318,483)** | (289,663) |
| *Non cash flows in operating activities* | | |
| Exploration and evaluation write off | | 57,828 |
| Share based compensation | | 101,127 |
| Foreign exchange loss/(gain) | 9,492 | 6,345 |
| Depreciation | 694 | 531 |
| *Changes in assets and liabilities* | | |
| Movement in receivables and prepayments | 108,531 | (11,358) |
| Movement in payables | 204,805 | (29,648) |
| **Net cash used in operating activities** | **5,039** | (165,018) |

(expressed in USD)

## 18. Segment information

The Company operates in one business and geographical segment being gold exploration in Côte d'Ivoire.

As the Company is focused on exploration, the Board monitors the Company based on actual versus budgeted exploration expenditure incurred by project. The internal reporting framework is the most relevant to assist the Board with making decisions regarding the Company and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

## 19. Loss per Share

Loss per share amounts are calculated by dividing the net loss attributable to shareholders for the year by the weighted-average number of shares outstanding during the year.

| | | 2023 | 2022 |
|---|---|---|---|
| Net loss attributable to equity holders | $ | **(318,483)** | (289,663) |
| Basic and diluted weighted number of shares | No. | 31,123,616 | 23,820,669 |
| Basic and diluted loss per shares attributable to equity holders of the parent | $ | **(0.01)** | (0.01) |

All outstanding shares, options and warrants are considered anti-dilutive and have been excluded from the diluted weighted average number of common shares.

## 20. Subsequent events

On May 24, 2023 the Company announced the closing of its previously announced financings for gross proceeds of C$2.36 million ($1.7m) The financings include a C$1.5 million ($1.1m) non-brokered private placement, including $1 million ($0.74m) by Orecap Invest Corp. (formerly Orefinders Resources Inc.) and a concurrent C$860,610 ($636,851) brokered private placement led by Beacon Securities Limited as agent.

The proceeds will be allocated towards restructuring, conducting exploration activities in Côte d'Ivoire as well as for general and administrative expenses. Full details of the financings, allocation of shares for debt and a grant of stock options are provided below.

*Details of the Financings and Debt Settlement*

The Company completed:

- a private placement of 7,171,750 Brokered Units at a price of C$0.12 ($0.09) (the "Offering Price") per Brokered Unit, raising gross proceeds of C$860,610 ($636,852);
- a concurrent non-brokered private placement of 12,470,431 units of the Company at the Offering Price, raising further gross proceeds of C$1,496,451 ($1,107,374); and
- a debt settlement by issuing 1,855,414 common shares of the Company to current or former directors, officers and consultants of the Company (the "Creditors") and 311,236 common shares to Mr. Parsons and, subject to receipt of disinterested shareholder approval, will issue an additional 999,216 common shares to the Creditors and 813,014 common shares to Mr. Parsons at a deemed price of C$0.12 ($0.09) per share, in settlement of a total of C$342,555 ($253,491) in outstanding debt to the Creditors and C$134,910 ($99,833) in severance pay to Mr. Parsons.

**20. Subsequent events (continued)**

The Brokered Units and Non-Brokered Units each consisted of one common share and one-half of one common share purchase warrant (each whole warrant, a “Warrant”). Each Warrant will be exercisable to acquire one additional common share (a “Warrant Share”) until May 24, 2026 at a price of C$0.20($0.15) per Warrant Share.

The Brokered Financing was conducted pursuant to the terms of an agency agreement dated May 24, 2023 entered into between the Company and the Agent. As consideration for services provided by the Agent in connection with the Brokered Financing, the Company: (a) paid a commission and corporate finance fee in cash in the amount of C$51,604 ($38,187); (ii) issued 430,305 non-transferrable warrants (the “Broker Warrants”), with each Broker Warrant exercisable to acquire one common share at the Offering Price until May 24, 2026; and (iii) paid a corporate finance fee equal to C$100,000 ($74,000), by issuing 833,333 units of the Company at the Offering Price and having the same terms as the Brokered Units.

In connection with the Non-Brokered Financing, Orecap subscribed for 8,333,333 Non-Brokered Units.

The net proceeds from the Brokered Financing and the Non-Brokered Financing will be used for exploration and development expenditures at the Company's projects in Ivory Coast, settlement of certain payables, and general working capital purposes.

<u>Investor Rights Agreement and Grant of Options</u>

Pursuant to terms of the binding term sheet entered into by the Company and Orecap on April 24, 2023, the Company also announces that it has:

(1) entered into an investor rights agreement with Orecap granting it the right, for so long as Orecap’s percentage ownership interest in the issued and outstanding Common Shares is at least 10%, calculated on a partially diluted basis, to: (a) nominate two directors to the Board; and (b) participate in any offering of common shares or securities convertible into common shares, on substantially the terms and conditions of such offering, to maintain its percentage ownership interest in the issued and outstanding common shares immediately prior to completion of such offering; and

(2) granted incentive stock options under the Company’s stock option plan to directors, officers and certain employees, including to the newly appointed directors, to purchase up to 3,605,000 Common Shares exercisable at a price of C$0.20 ($0.15) per common share for a period of five years.

Pursuant to the Investor Rights Agreement, the Company has appointed Mr. Stephen Stewart to the Board as the nominee of Orecap and an additional director will be nominated by Orecap for election by shareholders at the Company’s next general meeting.

At closing of the financings, Glen Parsons will be stepping down as CEO and resigning from the Board and Andrew Chubb, formerly the Chief Operating Officer of the Company, as the new CEO.

## CORPORATE DIRECTORY

***Awalé Resources Limited***

*Directors & Management*

Robin Birchall – Chairperson – Non-executive director

(appointed November 29, 2022)

Derk Hartman – Non-executive Director

Stephen Stewart - Non-executive director

(appointed May 24, 2023)

Eric Roth – Non-executive Director

Andrew Chubb – Chief Executive Officer

Sharon Cooper – Chief Financial Officer

*Company Secretary*

Kathryn Witter

Marketworks Inc

8681 Clay Street, Mission

British Columbia, CANADA

*Investor Relations*

Karen Davies

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*Principal place of business and Registered office*

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British Columbia, CANADA

**Auditor**

Ernst & Young

The EY Centre

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