

KOBO Resources Inc. (formerly Meteorite Capital Inc.)

Condensed unaudited interim consolidated financial statements

Three and Six Months Ended June 30, 2023

(in Canadian dollars)

The interim condensed financial statements for the three and six months ended June 30, 2023 have not been reviewed by the independent auditor of Kobo Resources Inc. (the “Corporation” or “Kobo”).

Table of contents**Page**

Condensed unaudited interim consolidated financial statements	
Consolidated statements of financial position	3
Consolidated statements of changes in shareholders' equity (deficiency)	4
Consolidated statements of loss and comprehensive loss	5
Consolidated statements of cash flows	6
Notes to condensed unaudited interim consolidated financial statements	7 - 27

KOBO Resources Inc.

Condensed unaudited interim consolidated statements of financial position

(All amounts are in Canadian dollars unless otherwise indicated)

	As at June 30, 2023 \$	As at December 31, 2022 \$
Assets		
Current		
Cash	811,751	260,284
Term deposit, 4.96% maturing on June 30, 2024	2,000,000	-
Commodity taxes receivable	110,184	23,015
	<u>2,921,935</u>	<u>283,299</u>
Security deposits	9,581	5,107
Property, plant and equipment (note 3)	98,177	16,980
Mining assets (note 4)	2,237	2,237
	<u>3,031,930</u>	<u>307,623</u>
Liabilities		
Current		
Accounts payable (note 11)	764,762	979,282
Long-term debt (note 5)	-	44,469
Deferred government grant income (note 5)	-	15,331
	<u>764,762</u>	<u>1,039,282</u>
Shareholders' equity (deficiency)		
Share capital (note 7)	11,301,115	6,271,465
Stock options (note 7)	707,309	647,311
Broker warrants (note 7)	101,000	-
Deficit	(9,842,256)	(7,650,435)
	<u>2,267,168</u>	<u>(731,659)</u>
	<u>3,031,930</u>	<u>307,623</u>

Nature of operations, reverse takeover acquisition and going concern (note 1)

Subsequent event (note 12)

Approved by the Board _____, Director _____, Director _____

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

KOBO Resources Inc.

Condensed unaudited interim consolidated statements of changes in shareholders' equity (deficiency)

(All amounts are in Canadian dollars unless otherwise indicated)

	Number of shares	Share capital	Stock options	Broker warrants	Deficit	Total
		\$	\$	\$	\$	\$
Balance as at January 1, 2022	54,195,999	5,748,715	483,638	-	(6,192,187)	40,166
Net loss and comprehensive loss	-	-	-	-	(517,261)	(517,261)
Share-based compensation (note 7)	-	-	36,916	-	-	36,916
Balance as at June 30, 2022	54,195,999	5,748,715	520,554	-	(6,709,488)	(440,179)
Balance as at January 1, 2023	56,809,749	6,271,465	647,311	-	(7,650,435)	(731,659)
Net loss and comprehensive loss	-	-	-	-	(1,639,697)	(1,639,697)
Shares deemed to be issued on reverse takeover (note 7)	1,413,000	353,250	-	-	-	353,250
Shares issued related to concurrent financing (note 7)	18,705,600	4,676,400	-	-	-	4,676,400
Share issue costs related to concurrent financing (note 7)	-	-	-	-	(451,124)	(451,124)
Share-based compensation (note 7)	-	-	59,998	-	-	59,998
Broker warrants granted (note 7)	-	-	-	101,000	(101,000)	-
Balance as at June 30, 2023	76,928,349	11,301,115	707,309	101,000	(9,842,256)	2,267,168

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

KOBO Resources Inc.

Condensed unaudited interim consolidated statements of loss and comprehensive loss

(All amounts are in Canadian dollars unless otherwise indicated)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Interest income	23,656	-	35,664	-
Expenses				
Share-based compensation (note 7)	49,588	16,738	59,998	36,916
Management fees (note 11)	100,004	52,801	220,114	119,413
Professional fees	99,210	87,140	133,413	227,929
Continuous disclosure	49,160	-	49,160	-
Office and travelling expenses	54,315	50,197	57,876	53,369
Exploration expenses	379,870	40,752	511,402	74,836
Foreign exchange loss (gain)	7,325	(7,288)	9,110	(5,955)
Depreciation of property, plant and equipment	5,481	6,166	12,935	11,948
Transaction costs	7,572	-	276,277	-
Listing costs expensed (note 1)	-	-	352,515	-
Interest on long-term debt	-	1,534	-	3,069
Amortization of deferred government grant income	-	(1,534)	-	(3,069)
Write-off of long-term debt (note 5)	-	-	(20,000)	-
Bank charges	1,624	435	2,614	1,146
Sundry taxes	6,123	-	9,947	-
Gain on sale of property, plant and equipment	-	(2,341)	-	(2,341)
	760,272	244,600	1,675,361	517,261
Net loss and comprehensive loss for the period	736,616	244,600	1,639,697	517,261
Basic and diluted net loss per share (note 8)	0.010	0.005	0.023	0.010

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

KOBO Resources Inc.

Condensed unaudited interim consolidated statements of cash flows

(All amounts are in Canadian dollars unless otherwise indicated)

	Six months ended June 30,	
	2023	2022
	\$	\$
Cash flow from the following activities		
Operating activities		
Net loss and comprehensive loss for the period	(1,639,697)	(517,261)
Adjustments for:		
Share – based compensation	59,998	36,916
Depreciation of property, plant and equipment	12,935	11,948
Write-off of long-term debt	(20,000)	-
Listing costs expensed	352,515	-
Interest on long debt	-	3,069
Amortization of deferred government grant income	-	(3,069)
Gain on sale of property, plant and equipment	-	(2,341)
	<u>(1,234,249)</u>	<u>(470,738)</u>
Changes in non –cash working capital items		
Commodity taxes receivable	(87,169)	20,974
Accounts payable	(256,349)	263,739
Advances from a director and a consultant	-	(463)
	<u>(343,518)</u>	<u>284,250</u>
Net cash used in operating activities	<u>(1,577,767)</u>	<u>(186,488)</u>
Investing activities		
Purchase of a term deposit	(2,000,000)	-
Increase in security deposits	(4,474)	-
Purchase of property, plant and equipment	(94,132)	-
Proceed from sale of property plant and equipment	-	42,500
Cash acquired from reverse takeover (note 1)	42,564	-
Net cash generated from (used in) investing activities	<u>(2,056,042)</u>	<u>42,500</u>
Financing activities		
Issuance of shares	4,676,400	-
Share issue costs	(451,124)	-
Repayment of long-term debt	(40,000)	-
Deferred expenses	-	(128,989)
Net cash generated from (used in) financing activities	<u>4,185,276</u>	<u>(128,989)</u>
Increase (decrease) in cash	<u>551,467</u>	<u>(272,977)</u>
Cash at the beginning of period	<u>260,284</u>	<u>506,915</u>
Cash at the end of period	<u>811,751</u>	<u>233,938</u>

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

KOBO Resources Inc.

Notes to condensed unaudited interim consolidated financial statements

Three and Six Months Ended June 30, 2023

(All amounts are in Canadian dollars unless otherwise indicated)

1 Nature of operations, reverse takeover acquisition and going concern

Nature of operations

KOBO Resources Inc. (KOBO) is a junior Canadian exploration and mining development corporation incorporated under the Business Corporations Act on April 27, 2018, initially under the name of Meteorite Capital Inc. (Meteorite). The Corporation is focused on acquiring mineral gold property assets located in West Africa and more particularly in Côte d'Ivoire.

KOBO, through its wholly owned subsidiaries BOKO Resources Inc. (Boko) and KOBO Ressources Côte d'Ivoire (KOBO C.I.) obtained in 2019 two (2) research permits (note 4) and is in the process of obtaining three (3) additional pending research permits, which when granted will increase the territory of 1,068 km² in Côte d'Ivoire.

The head office is 388, Grande-Allée East, Suite 101, Québec (Québec), Canada G1R 2J4.

Reverse takeover acquisition

On March 29, 2023, Kobo completed its previously announced business combination with Boko involving an amalgamation of Boko (formerly Kobo Resources Inc.) and 9454-2123 Québec Inc. (Meteorite Subco). The business combination resulted in, among other things, (i) the reverse takeover (RTO) of Meteorite by the former securityholders of Kobo, (ii) Meteorite changing its name to "Kobo Resources Inc." (the "**Resulting Issuer**"), (iii) Boko becoming a wholly-owned subsidiary of the resulting Issuer, and (iv) the listing of the Resulting Issuer's common shares (the Resulting Issuer Common Shares") on the TSX Venture Exchange (the "**TSX-V**"). The Resulting Issuer Common Shares began trading at the opening of the market on March 31, 2023 under the symbol "KRI".

The Transaction has been accounted for in accordance with IFRS 2, Share-Based Payment and IAS 32 Financial Instruments: Presentation. The Transaction is considered to be a reverse takeover of Meteorite by Boko. A reverse takeover transaction involving a non-public operating entity and a non-operating company is in substance a share-based payment transaction, rather than a business combination. The fair value of the shares issued has been determined based on the fair value of the Common Shares issued by Boko on February 24, 2023.

These consolidated financial statements are prepared as a continuation of the financial statements of Boko but reflecting the continuation of the equity instruments of Meteorite as a result of the RTO. As a result, comparative information included herein as at December 31, 2022, and the three and the six months ended June 30, 2022, is solely that of Boko.

Each Boko Warrant, Boko Option and Boko Broker Warrant have been exchanged for Meteorite Warrant, Meteorite Option and Meteorite Broker Warrant, now referred as Kobo Warrant, Kobo Option and Kobo Broker Warrant.

KOBO Resources Inc.

Notes to condensed unaudited interim consolidated financial statements

Three and Six Months Ended June 30, 2023

(All amounts are in Canadian dollars unless otherwise indicated)

As the fair value of the Corporation's identifiable net assets at the reverse acquisition date was \$353,250, the excess of consideration transferred over the net assets acquired along with the transaction costs incurred as a result of the RTO is reflected as listing costs expensed in the consolidated statements of loss and comprehensive loss.

	\$
Fair value of consideration to acquire 1,413,000 Common Shares and 113,040 Options of Meteorite	<u>353,250</u>
Net assets acquired	
Cash	42,564
Accounts payable	(41,829)
Listing costs expensed	<u>352,515</u>
	<u>353,250</u>

The fair value of the consideration transferred to acquire Meteorite under the RTO is \$353,250 and was determined based on the fair value of the 1,413,000 Common Shares valued at \$0.25 per share and 113,040 Options valued at nil.

Going concern

These consolidated financial statements have been prepared using International Financial Reporting Standards (IFRS) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware in making its assessment of material uncertainties related to events and conditions that lend a significant doubt upon the Corporation's ability to continue as a going concern and accordingly, the appropriateness of the use of IFRS applicable to a going concern, as described in the following paragraph. These consolidated financial statements do not reflect the adjustment to the carrying values of assets and liabilities expenses and consolidated statement of financial position classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

As at June 30, 2023, the Corporation has a deficit of \$9,842,256. In addition to ongoing working capital requirements, the Corporation must secure sufficient funding to meet its obligations and existing commitments for exploration and evaluation programs, for mining development and pay general and administration costs.

KOBO Resources Inc.

Notes to condensed unaudited interim consolidated financial statements

Three and Six Months Ended June 30, 2023

(All amounts are in Canadian dollars unless otherwise indicated)

As long as the Corporation is not in commercial operation, the continuation of its activities will depend on its ability to raise additional financing through the issuance of equity instruments. There can be no assurance it will be able to do so in the future and that such sources of funding or initiatives will be available to the Corporation or that they will be available on terms acceptable to the Corporation. If management is unable to obtain new funding, there is a material uncertainty that lend a significant doubt about the Corporation's ability to continue as a going concern and amounts realized for assets might be less than amounts reflected in these consolidated financial statements. The Corporation has not yet determined the existence of economically recoverable ore reserves.

2 Significant accounting policies

Basis of presentation

These condensed unaudited interim consolidated financial statements have been prepared by the Corporation's management in accordance with International Financial Reporting Standards (IFRS) and in accordance with IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB), and were approved by the Board of Directors on August 29, 2023.

Basis of consolidation

The consolidated financial statements include the financial statements of the Corporation and its subsidiaries Boko and Kobo C.I. located in Côte d'Ivoire. The Corporation has 100% ownership in the subsidiary Kobo C.I. All intercompany transactions and balances are eliminated. A subsidiary is an investment controlled by the Corporation. Control exists when the Corporation has the existing rights giving the current ability to direct the activities that significantly affect the entities' returns. The Corporation reassesses control on an ongoing basis.

KOBO Resources Inc.

Notes to condensed unaudited interim consolidated financial statements

Three and Six Months Ended June 30, 2023

(All amounts are in Canadian dollars unless otherwise indicated)

Changes to accounting standards

The IASB has issued the following amendments to accounting standards that became effective for the annual period beginning on January 1, 2023:

- Amendments to IAS 1, Presentation of financial statements – Disclosure of accounting policies, to require entities to disclose material accounting policies information rather than accounting policies;
- Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors, to clarify the definition of the terms “accounting policy” and “accounting estimate”;
- Amendments to IAS 12, Income Taxes – Deferred income taxes related to assets and liabilities arising from a single transaction, to restrict the scope of the exemption related to the recognition of deferred income taxes.

The standards became effective on January 1, 2023 and had no impact on the Corporation’s consolidated financial statements.

Critical accounting estimates, assumptions and judgements

The Corporation has applied the same accounting estimates, assumptions and judgements in its interim consolidated financial statements as in its 2022 annual financial statements. They do not include all the information required in annual financial statements in accordance with IFRS and should be read in conjunction with the financial statements for the year ended December 31, 2022.

3 Property, plant and equipment

	Vehicles	Office equipment	Exploration equipment	Land	Total
	\$	\$	\$	\$	\$
Cost					
Balance as at December 31, 2022	76,564	7,133	5,329	8,000	97,026
Addition	73,825	2,675	17,632	-	94,132
Balance as at June 30, 2023	150,389	9,808	22,961	8,000	191,158

KOBO Resources Inc.

Notes to condensed unaudited interim consolidated financial statements

Three and Six Months Ended June 30, 2023

(All amounts are in Canadian dollars unless otherwise indicated)

	Vehicles	Office equipment	Exploration equipment	Land	Total
	\$	\$	\$	\$	\$
Accumulated depreciation					
Balance as at December 31, 2022	69,695	6,162	4,189	-	80,046
Depreciation of the period	11,745	300	890	-	12,935
Balance as at June 30, 2023	81,440	6,462	5,079	-	92,981

	Vehicles	Office equipment	Exploration equipment	Land	Total
	\$	\$	\$	\$	\$
Net amount as at December 31, 2022	6,869	971	1,140	8,000	16,980
Net amount as at June 30, 2023	68,949	3,346	17,822	8,000	98,177

4 Mining assets

Kossou

Kotobi

\$

\$

Research permits

Balance as at December 31, 2022 and
June 30, 2023

2,237

-

KOBO Resources Inc.

Notes to condensed unaudited interim consolidated financial statements

Three and Six Months Ended June 30, 2023

(All amounts are in Canadian dollars unless otherwise indicated)

On April 24, 2019 a research permit (Kotobi license formerly identified as Bongouanou license) was awarded to KOBO C.I. and is located within the Birimian Dimbokro-Abengourou Belt, Boaulé-Mossi domain. It is located in the administrative departments of Arrah, Bongouanou and Daoukro covering 301.75 km². The permit was issued for four (4) years and is renewable for two (2) consecutive three (3) years term with an additional possible two (2) years term.

The Corporation must incur a total of 500,000,000 CFA (\$1,100,000) in exploration activities during the four (4) years of the permit. This total amount is expensed over the first three (3) years in the amount of 100,000,000 CFA (\$222,000) annually and 200,000,000 CFA (\$444,000) in the fourth (4th) year, subject to currency exchange rate fluctuations. As at June 30, 2023, the Corporation spent a cumulative amount of 120,306,800 CFA (\$267,350) in exploration activities. On February 27, 2023, the Corporation filed an application form with the Minister of Mines of Côte d'Ivoire for the renewal of the Kotobi permit for an additional three (3) years. The application is currently under review.

On November 6, 2019 a research permit (Kossou license) was awarded to KOBO C.I. and is located in the department of Kossou, Yamoussoukro and Bouaflé regions, approximately 22 km northwest of the capital city of Yamoussoukro covering 147.36 km². The permit is issued for four (4) years and is renewable for two (2) consecutive three (3) years term with an additional possible two (2) years term.

The Corporation must incur a total of 550,000,000 CFA (\$1,220,000) in exploration activities for the four (4) years of the permit. This total amount is expensed over the first three (3) years in the amount of 110,000,000 CFA (\$244,000) annually and 220,000,000 CFA (\$488,000) in the fourth (4th) year, subject to currency exchange rate fluctuations. As at June 30, 2023, the Corporation spent a cumulative amount of 649,622,100 CFA (\$1,444,200) in exploration activities. On August 2, 2023, the Corporation filed an application form with the Minister of Mines of Côte d'Ivoire for the renewal of the Kossou permit for an additional three (3) years. The application is currently under review.

In the case of non-realization of the projected exploration activities in the first two (2) years the Corporation may receive a notification form the Minister of Mines. In such case, a global control of the exploration activities is performed by the Minister of Mines administration at the end of the third (3rd) year.

KOBO Resources Inc.

Notes to condensed unaudited interim consolidated financial statements

Three and Six Months Ended June 30, 2023

(All amounts are in Canadian dollars unless otherwise indicated)

5 Long-term debt and deferred government grant income

	As at June 30, 2023	As at December 31, 2022
	\$	\$
CEBA loan payable, unsecured, interest and repayment terms as noted below	60,000	60,000
Write-off of long-term debt	(20,000)	-
Unamortized portion of deferred government grant income	-	(21,650)
Repayment	(40,000)	-
Net loan	<u>-</u>	<u>38,350</u>

Canada Emergency Business Account (CEBA) guaranteed by the Federal Government, interest-free and no capital instalment until December 31, 2023. The reimbursement of \$40,000 of the loan at the latest December 31, 2023 will provide the Corporation with \$20,000 write-off of the loan. As the Corporation was not reasonably assured that it will have sufficient liquidity to repay the amount of \$40,000 by December 31, 2023, the below market rate interests has been deferred as government assistance over the expected term of the loan. \$20,000 of the loan was forgiven under the CEBA program and was written off by the Corporation in March 2023 and the balance of \$40,000 has been repaid in June 2023.

6 Segmented information

- a) Operating segments – The Corporation’s operations are directed towards the acquisition, exploration and pre-production of gold in Côte d’Ivoire. As a result, the Corporation is organized as a single sector.

KOBO Resources Inc.

Notes to condensed unaudited interim consolidated financial statements

Three and Six Months Ended June 30, 2023

(All amounts are in Canadian dollars unless otherwise indicated)

b) Geographic segments

The Corporation's assets by geographic areas are as follows:

As at June 30, 2023

	Côte d'Ivoire	Canada Corporate Management	Total
	\$	\$	\$
Cash	330,598	481,153	811,751
Term deposit	-	2,000,000	2,000,000
Commodity taxes receivable	16,970	93,214	110,184
Property, plant and equipment	94,831	3,346	98,177
Mining assets	2,237	-	2,237
Other assets	9,581	-	9,581
	<hr/>	<hr/>	<hr/>
	454,217	2,577,713	3,031,930

As at December 31, 2022

	Côte d'Ivoire	Canada Corporate Management	Total
	\$	\$	\$
Cash	14,406	245,878	260,284
Property, plant and equipment	16,009	971	16,980
Mining assets	2,237	-	2,237
Other assets	5,107	23,015	28,122
	<hr/>	<hr/>	<hr/>
	37,759	269,864	307,623

KOBO Resources Inc.

Notes to condensed unaudited interim consolidated financial statements

Three and Six Months Ended June 30, 2023

(All amounts are in Canadian dollars unless otherwise indicated)

The Corporation's income and expenses by geographic areas are as follows:

	Three months ended June 30,			2022		
	2023			2022		
	Côte d'Ivoire	Canada Corporate Management	Total	Côte d'Ivoire	Canada Corporate Management	Total
	\$	\$	\$	\$	\$	\$
Interest income	-	23,656	23,656	-	-	-
Share-based compensation	-	49,588	49,588	-	16,738	16,738
Management fees	-	100,004	100,004	-	52,801	52,801
Professional fees	9,359	89,851	99,210	6,127	81,013	87,140
Continuous disclosure	-	49,160	49,160	-	-	-
Exploration expenses	296,705	83,165	379,870	34,314	6,438	40,752
Transaction costs	-	7,572	7,572	-	-	-
Other expenses	20,695	54,173	74,868	2,612	44,557	47,169
	326,759	433,513	760,272	43,053	201,547	244,600
Net loss	326,759	409,857	736,616	43,053	201,547	244,600

KOBO Resources Inc.

Notes to condensed unaudited interim consolidated financial statements

Three and Six Months Ended June 30, 2023

(All amounts are in Canadian dollars unless otherwise indicated)

	Six months ended June 30					
	2023			2022		
	Ivory Coast	Canada Corporate Management	Total	Ivory Coast	Canada Corporate Management	Total
	\$	\$	\$	\$	\$	\$
Interest income	-	35,664	35,664	-	-	-
Share-based compensation	-	59,998	59,998	-	36,916	36,916
Management fees	-	220,114	220,114	-	119,414	119,413
Professional fees	17,137	116,276	133,413	14,906	213,023	227,929
Continuous disclosure	-	49,160	49,160	-	-	-
Exploration expenses	374,478	136,924	511,402	68,398	6,438	74,836
Transaction costs	-	276,277	276,277	-	-	-
Listing costs expensed	-	352,515	352,515	-	-	-
Write-off of long-term debt	-	(20,000)	(20,000)	-	-	-
Other expenses	32,750	59,732	92,482	5,385	52,781	58,167
	424,365	1,250,996	1,675,361	88,689	428,572	517,261
Net loss	424,365	1,215,332	1,639,697	88,689	428,572	517,261

KOBO Resources Inc.

Notes to condensed unaudited interim consolidated financial statements

Three and Six Months Ended June 30, 2023

(All amounts are in Canadian dollars unless otherwise indicated)

7 Share capital

Authorized share capital of the Corporation

Unlimited number of Common Shares, bearing one voting right per share, participating, without par value.

Issued Common Shares varied as follows:

	Six months ended June 30, 2023		Year ended December 31, 2022	
	Number	\$	Number	\$
Balance at the beginning	56,809,749	6,271,465	54,195,999	5,748,715
Private placement	-	-	2,613,750	522,750
Reverse takeover acquisition (note 1)	1,413,000	353,250	-	-
Concurrent financing	18,705,600	4,676,400	-	-
Balance at the end	76,928,349	11,301,115	56,809,749	6,271,465

Six months ended June 30, 2023

In connection with the RTO, Boko and Meteorite completed a concurrent financing on February 24, 2023, for aggregate gross proceeds of \$4,676,400, consisting of: (i) the issuance of 13,736,400 Boko Subscription Receipts and 4,969,200 Meteorite Subscription Receipts at a price of \$0.25 per Subscription Receipt. Each Subscription Receipt is convertible for no additional consideration into one share and one-half of one warrant at an exercise price of \$0.40 for each full warrant, for a twenty-four months period from the date of the closing of the Transaction. As part consideration of their services for the concurrent financing, the agent received a cash consideration of \$246,000 and 721,312 Broker Warrants entitling the holder to purchase 721,312 Broker Units of the Corporation at a price of \$0.25 per unit. Each Broker Unit entitles the holder to purchase one Common Share at a price of \$0.25 per share and one-half of a one Common Share Warrant at an exercise price of \$0.40 for each full warrant, for a twenty-four months period from the date of the closing of the Transaction.

In connection with the RTO, Meteorite completed a share consolidation using an exchange ratio of 0.2 to one.

KOBO Resources Inc.

Notes to condensed unaudited interim consolidated financial statements

Three and Six Months Ended June 30, 2023

(All amounts are in Canadian dollars unless otherwise indicated)

Stock option plan

In connection with the RTO, the Corporation adopted a new stock option plan. Pursuant to the stock option plan, the Corporation may award options to senior officers, directors, employees, management Corporation employees, consultants and investors relations person of the Corporation or its subsidiaries.

The maximum number of Common Shares of the Corporation issuable under the plan is 9.5% of issued and outstanding shares. The maximum number of Common Shares which may be reserved for issuance to any one optionee within a one-year period, may not exceed 2% of Common Shares issued and outstanding at the date of grant on a non-diluted basis. Upon issuance of the options, the Board of Directors determines the expiry date and exercise price of options. The term cannot exceed ten years from the grant date unless the Board of Directors provides otherwise and the exercise price should not be lower than the discounted market price. Options granted will vest over a period of 12 months, at a rate of 25% in any three-month period.

The stock options granted by the Corporation are payable in equity instruments of the Corporation.

The stock options varied as follows:

	Six months ended June 30, 2023		Year ended December 31, 2022	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at the beginning	3,150,000	\$0.190	2,750,000	\$0.189
Granted	2,325,000	\$0.289	400,000	\$0.200
Reverse takeover acquisition (note 1)	113,040	\$0.750	-	-
Outstanding at the end	5,588,040	\$0.242	3,150,000	\$0.190
Exercisable	3,325,540	\$0.210	2,837,500	\$0.189

For the six months ended June 30, 2023 an amount of \$59,998 (\$36,916 in 2022) is included as share-based compensation expense.

On March 1st, 2023, the Corporation granted 250,000 options to a consultant at an exercise price of \$0.20 each.

On June 21, 2023, the Corporation granted 2,075,000 options to directors, officers and consultants at an exercise of \$0.30 each.

KOBO Resources Inc.

Notes to condensed unaudited interim consolidated financial statements

Three and Six Months Ended June 30, 2023

(All amounts are in Canadian dollars unless otherwise indicated)

The total fair value was estimated on the grant using the Black-Scholes option pricing model with the following average assumptions:

	2023	2022
Weighted risk-free interest rate	3.70%	2.55%
Weighted share price at grant-date	\$0.295	\$0.200
Weighted average expected share price volatility (*)	104.25%	110%
Weighted average exercise price at grant-date	\$0.289	\$0.200
Weighted average expected dividend yield	-	-
Weighted average expected life	5 years	5 years
Weighted average grant-date fair value	\$0.230	\$0.155

(*) Expected share price volatility was calculated using a blended rate of junior mining exploration corporations.

The following table summarizes certain information of the Corporation's stock options:

Exercise price	Outstanding options as at June 30, 2023		Exercisable options as at June 30, 2023	
	Number	Weighted average remaining contractual life Years	Number	Weighted average remaining contractual life Years
\$0.200	250,000	6.67	62,500	6.67
\$0.200	400,000	4.33	400,000	4.33
\$0.200	900,000	1.58	900,000	1.58
\$0.200	1,250,000	2.50	1,250,000	2.50
\$0.150	600,000	1.40	600,000	1.40
\$0.750	113,040	0.21	113,040	0.21
\$0.300	2,075,000	10.00	-	-
	<u>5,588,040</u>		<u>3,325,540</u>	

KOBO Resources Inc.

Notes to condensed unaudited interim consolidated financial statements

Three and Six Months Ended June 30, 2023

(All amounts are in Canadian dollars unless otherwise indicated)

Warrants

The warrants that were granted varied as follows:

	Six months ended June 30, 2023		Year ended December 31, 2022	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding and exercisable at the beginning	4,250,034	\$0.300	4,250,034	\$0.300
Granted under the concurrent financing	9,352,800	\$0.400	-	-
Outstanding and exercisable at the end	13,602,834	\$0.266	4,250,034	\$0.300

The following table summarizes about the Corporation's warrants:

Number	As at June 30, 2023			As at December 31, 2022		
	Exercise price	Remaining life Years	Number	Exercise price	Remaining life Years	
4,250,034	\$0.300	0.16	4,250,034	\$0.300	0.66	
9,352,800	\$0.400	1.75	-	-	-	

KOBO Resources Inc.

Notes to condensed unaudited interim consolidated financial statements

Three and Six Months Ended June 30, 2023

(All amounts are in Canadian dollars unless otherwise indicated)

Broker Warrants

The Broker Warrants that were granted varied as follows:

	Six months ended June 30, 2023		Year ended December 31, 2022	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding and exercisable at the beginning	-	-	-	-
Granted under the concurrent financing	721,312	\$0.250	-	-
Outstanding and exercisable at the end	721,312	\$0.250	-	-

These Broker Warrants entitle the holders to purchase 721,312 units of the Corporation at a price of \$0.25 per unit. Each Broker Warrant Unit entitles the holder to purchase one Common Share at a price of \$0.25 per share and one-half of a one Common Share Warrant at an exercise price of \$0.40 for each full warrant, for a twenty-four months period from the date of the closing of the Transaction.

The following table summarizes about the Corporation's agent unit warrants:

Number	As at June 30, 2023		Number	As at December 31, 2022	
	Exercise price	Remaining life Years		Exercise price	Remaining life Years
721,312	\$0.250	1.75	-	-	-

KOBO Resources Inc.

Notes to condensed unaudited interim consolidated financial statements

Three and Six Months Ended June 30, 2023

(All amounts are in Canadian dollars unless otherwise indicated)

The total fair value was estimated on the grant using the Black-Scholes option pricing model with the following average assumptions:

	2023
Risk-free interest rate	1%
Share price	\$0.250
Expected share price volatility (*)	110%
Expected dividend yield	-
Expected life	2 years

(*) Expected share price volatility was calculated using a blended rate of junior mining exploration corporations.

8 Basic and diluted net loss per share

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	2023	2022	2023	2022
Net loss and comprehensive loss	\$736,616	\$244,600	\$1,639,697	\$517,261
Basic weighted average number of Common Shares outstanding	76,928,345	54,195,999	70,771,838	54,195,999

For the three and the six months ended June 30, 2023 and 2022 options, warrants and broker warrants are excluded in the basic and diluted net loss per share calculation because they were considered anti-dilutive for these periods.

9 Capital management

The Corporation's capital management objective is to have sufficient capital to be able to pursue its exploration activities plan in order to ensure the growth of its assets. It has also the objective to have sufficient liquidity to finance the exploration expenses, the investing activities and its working capital requirements. No changes were made to the objectives and policies during the six months ended June 30, 2023.

As at June 30, 2023, the Corporation has shareholders' equity amounting to \$2,267,168 (December 31, 2022 shareholders' deficiency of \$731,659).

KOBO Resources Inc.

Notes to condensed unaudited interim consolidated financial statements

Three and Six Months Ended June 30, 2023

(All amounts are in Canadian dollars unless otherwise indicated)

In order to maintain or adjust the capital structure, the Corporation may issue new capital instruments and acquire or sell mining properties to improve its financial performance and flexibility.

The access to financing depends on the economic situation and state of the equity and credit markets.

10 Financial instruments

Measurement categories

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the consolidated statement of loss and comprehensive loss. These categories are financial assets and financial liabilities at amortized cost.

The following table shows the carrying amounts of assets and liabilities for each of these categories:

	As at June 30, 2023 \$	As at December 31, 2022 \$
Financial assets at amortized cost		
Cash	811,751	260,284
Term deposit	2,000,000	-
	<u>2,811,751</u>	<u>260,284</u>
Financial liabilities at amortized cost		
Accounts payable	706,027	930,795
Long-term debt	-	44,469
	<u>706,027</u>	<u>975,264</u>

There are no financial instruments measured at fair value.

KOBO Resources Inc.

Notes to condensed unaudited interim consolidated financial statements

Three and Six Months Ended June 30, 2023

(All amounts are in Canadian dollars unless otherwise indicated)

Financial risk factors

Due to the nature of its activities, the Corporation is exposed to financial risks: market risk, credit risk and liquidity risk.

a) Market risk

i) Fair value

The Corporation considers that the carrying amount of all its financial liabilities at amortized cost in its consolidated financial statements approximates their fair value. Current financial assets and liabilities are valued at their carrying amounts, which are reasonable estimates of their fair value due to their near-term maturities; this includes cash, term deposit and accounts payable.

ii) Foreign exchange risk

The Corporation is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the CFA francs and US dollars.

The Corporation holds balances in cash, security deposits and accounts payable in the CFA francs and also cash and accounts payable in US dollars. Accordingly, the Corporation is exposed to foreign exchange risk due to exchange rate fluctuations. The Corporation does not use any derivatives to mitigate its exposure to foreign exchange risk.

CFA franc balances in Canadian dollars are as follows:

	As at June 30, 2023	As at December 31, 2022
	\$	\$
Cash	330,598	14,466
Security deposits	9,581	5,107
Accounts payable	(238,987)	(56,187)
Net balance in Canadian dollars	<u>101,192</u>	<u>(36,674)</u>
Net balance in CFA francs	<u>45,536,400</u>	<u>(16,632,759)</u>

KOBO Resources Inc.

Notes to condensed unaudited interim consolidated financial statements

Three and Six Months Ended June 30, 2023

(All amounts are in Canadian dollars unless otherwise indicated)

US dollars balances in Canadian dollars are as follows:

	As at June 30, 2023	As at December 31, 2022
	\$	\$
Cash	1,453	47,740
Accounts payable	(16,400)	(47,750)
Net balance in Canadian dollars	<u>(14,947)</u>	<u>(10)</u>
Net balance in US dollars	<u>(11,285)</u>	<u>(7)</u>

Assuming that all other variables are constant, a 5% weakening or strengthening of dollar exchange rate would generate an immaterial impact on the net loss of the Corporation during the six months ended June 30, 2023.

b) Credit risk:

Credit risk is the risk of a financial loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Corporation's cash from deposits and term deposit with banks and the carrying amount of this financial asset represents the Corporation's maximum exposure to credit risk as at the date of the financial statements. The credit risk on cash and term deposit is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

c) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations associated with its financial liabilities as they fall due.

The Corporation manages liquidity risk through the management of its capital structure as outlined in note 9. It also manages liquidity risk by continuously monitoring actual and projected cash flows.

As at June 30, 2023, all of the Corporation's financial liabilities had contractual maturities of less than one year.

KOBO Resources Inc.

Notes to condensed unaudited interim consolidated financial statements

Three and Six Months Ended June 30, 2023

(All amounts are in Canadian dollars unless otherwise indicated)

The contractual maturities of financial liabilities as at June 30, 2023, are as follows:

	Carrying amount	Contractual amount	Less than one year	Between one and two years	Between two and five years
	\$	\$	\$	\$	\$
Accounts payable	706,027	706,027	706,027	-	-

The contractual maturities of financial liabilities as at December 31, 2022 are as follows:

	Carrying amount	Contractual amount	Less than one year	Between one and two years	Between two and five years
	\$	\$	\$	\$	\$
Accounts payable	930,795	930,795	930,795	-	-
Long-term debt	44,469	60,000	-	60,000	-

KOBO Resources Inc.

Notes to condensed unaudited interim consolidated financial statements

Three and Six Months Ended June 30, 2023

(All amounts are in Canadian dollars unless otherwise indicated)

11 Related party transactions

These transactions occurred in the normal course of operations and are measured on terms equivalent to those that prevail in arm's length transactions.

The table below summarizes, for the respective periods, the total amount paid to directors and key management personnel having authority and responsibility for planning, directing and controlling the activities of the Corporation or Corporations controlled by them:

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	2023	2022	2023	2022
	\$	\$	\$	\$
Compensation of key management (1)				
Share-based compensation	49,588	16,738	59,998	36,916
Management fees	100,004	52,801	220,114	119,413
Exploration expenses	18,750	-	18,750	-
	<u>168,342</u>	<u>69,539</u>	<u>298,862</u>	<u>156,329</u>

(1) As at June 30, 2023 an amount of \$20,295 (\$8,986 as at December 31, 2022) is included in accounts payable regarding compensation of key management.

12 Subsequent event

Between July 28 and August 29, 2023, the Corporation has received notices to exercise a total of 4,250,034 Common Share Purchase Warrants allowing holders thereof to subscribe to 4,250,034 Common Shares of the Corporation at a price of \$0.30 per share prior to the expiry date of August 31, 2023. As of August 29, 2023, the Corporation has issued 1,275,034 Common Shares following payment in full of the exercise price and the remaining 2,975,000 Common Shares will be issued upon receipt of the exercise price, thereby resulting in the issuance of a total of 4,250,034 Common Shares for a total consideration of \$1,275,010.20.