

ST CHARLES RESOURCES INC.
(a Capital Pool Company)

**CONDENSED INTERIM
FINANCIAL STATEMENTS**

**For the three and six months ended
June 30, 2022**

In Canadian dollars

UNAUDITED

Notice to Reader

The accompanying unaudited condensed interim financial statements of St Charles Resources Inc. (a Capital Pool Company) have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these unaudited condensed interim financial statements.

ST CHARLES RESOURCES INC.

(a Capital Pool Company)

Statement of Financial Position

<i>(unaudited, in Canadian dollars)</i>	June 30, 2022	December 31, 2021
	\$	\$
ASSETS		
Current		
Cash and cash equivalents (Note 3)	2,046,959	322,446
Sales taxes receivable	5,044	3,577
Prepaid expenses	3,641	-
Deferred financing costs (Note 4)	-	65,315
TOTAL ASSETS	2,055,644	391,338
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 5)	50,951	23,982
TOTAL LIABILITIES	50,951	23,982
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	1,916,953	368,000
Contributed surplus	322,116	-
Deficit	(234,376)	(644)
TOTAL SHAREHOLDERS' EQUITY	2,004,693	367,356
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,055,644	391,338

Nature of operations, going concern and COVID-19 (Note 1)

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

On behalf of the Board,

/s/ James Crombie
James Crombie, Director

/s/ Mark Eaton
Mark Eaton, Director

ST CHARLES RESOURCES INC.

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Statement of Net Loss and Comprehensive Loss

	Three months ended	Six months ended
<i>(unaudited, in Canadian dollars)</i>	June 30, 2022	June 30, 2022
	\$	\$
Expenses and other items		
Project evaluation (Note 8)	39,590	44,792
General and administrative (Note 9)	7,278	7,426
Share-based compensation (Note 7)	186,087	186,087
Finance income	(4,573)	(4,573)
Net loss and comprehensive loss for the period	(228,382)	(233,732)
Basic and diluted loss per common (Note 10)	(0.02)	(0.03)
Weighted average number of shares - basic and diluted (Note 10)	14,285,714	7,182,320

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

ST CHARLES RESOURCES INC.

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Statement of Changes in Shareholders' Equity

<i>(unaudited, in Canadian dollars)</i>	Number of issued and outstanding common shares	Share capital \$	Contributed Surplus \$	Deficit \$	Total equity \$
Balance at December 31, 2021	7,360,000	368,000	-	(644)	367,356
Private placement, April 26, 2022 (Note 6)	20,000,000	2,000,000	-	-	2,000,000
Share issue expenses (Note 6)	-	(451,047)	136,029	-	(315,018)
Share-based compensation (Note 7)	-	-	186,087	-	186,087
Net loss for the period	-	-	-	(233,732)	(233,732)
Balance at June 30, 2022	27,360,000	1,916,953	322,116	(234,376)	2,004,693

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

ST CHARLES RESOURCES INC.

(a Capital Pool Company)

Statement of Cash Flows

	Six months ended June 30, 2022
<i>(unaudited, in Canadian dollars)</i>	\$
OPERATING ACTIVITIES	
Net loss for the period	(233,732)
Adjustment	
Share-based compensation	186,087
Changes in other working capital items	
Sales taxes receivable	(1,467)
Prepaid expenses	(3,641)
Accounts payable and accrued liabilities	20,603
Payable to a related party	6,366
	(25,784)
FINANCING ACTIVITIES	
Deferred financing costs (Note 4)	65,315
Private placement (Note 6)	2,000,000
Share issue expenses (Note 6)	(315,018)
	1,750,297
Net change in cash and cash equivalents	1,724,513
Cash, beginning of period	322,446
Cash and cash equivalents, end of period	2,046,959

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

ST CHARLES RESOURCES INC.

(a Capital Pool Company)

Notes to Condensed Interim Financial Statements

Three and six months ended June 30, 2022 (unaudited – in Canadian dollars)

1. NATURE OF OPERATIONS, GOING CONCERN AND COVID-19

St Charles Resources Inc. (the “Company” or “St Charles”) was incorporated on July 16, 2021 under the Ontario *Business Corporations Act*.

On April 26, 2022, the Company completed its Initial Public Offering (the “IPO”), and the Company’s shares commenced trading on the TSX Venture Exchange (the “Exchange”) under the symbol “SCRS.P”. The Company is carrying on business as a Capital Pool Company (“CPC”), as such term is defined in the “Exchange” Policy 2.4 – Capital Pool Companies (“Exchange CPC Policy 2.4”).

As at June 30, 2022, the Company had no business operations and did not enter into any agreements to acquire an interest in businesses or assets. The Company’s principal purpose is the identification, evaluation and acquisition of assets, properties or businesses or participation therein subject, in certain cases, to shareholder approval and acceptance by the Exchange.

Going concern

These condensed interim financial statements were prepared on a going concern basis of accounting, which assumes that the Company will continue operations for the foreseeable future and will be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of business. The Company does not generate revenue from operations and incurred a net loss of \$233,732 for the six months ending June 30, 2022. However, the Company believes that it has sufficient funds to meet its obligations for at least twelve months from the end of the reporting period. As the Company has no revenues, its ability to continue as a going concern is dependent on its ability to obtain additional financing and complete a Qualifying Transaction. These condensed interim financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

COVID-19

The outbreak of the coronavirus (COVID-19) has resulted in a major global health crisis which at the date of these condensed interim financial statements continues to have a significant impact on the global economy and the financial markets. The Company’s ability to complete a Qualifying Transaction could be significantly adversely affected by the effects of COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including the duration of the outbreak.

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Notes to Condensed Interim Financial Statements

Three and six months ended June 30, 2022 (unaudited – in Canadian dollars)

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”), using accounting policies consistent with International Financial Reporting Standards (“IFRS”).

Accounting policies used in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the Company’s audited financial statements for the period from incorporation (July 16, 2021) to December 31, 2021, which are included in the Company’s Amended and Restated Prospectus dated April 7, 2022 available on SEDAR at www.sedar.com.

The Board of Directors approved these unaudited condensed interim financial statements on August 26, 2022.

Basis of measurement

These condensed interim financial statements were prepared on a historical cost basis and on an accrual basis except for cash flow information. The financial statements are presented in Canadian dollars, which is the Company’s functional currency.

3. CASH AND CASH EQUIVALENTS

As at June 30, 2022, cash and cash equivalents of \$2,046,959 includes \$1,500,000 of guaranteed investment certificates bearing interest at a weighted-average rate of 2.50%, redeemable until August 26, 2022.

Restrictions on use of funds from the IPO

The gross proceeds raised from the IPO (Note 6) may only be used to identify and evaluate assets or businesses and obtain shareholder approval for a proposed “Qualifying Transaction” as such term is defined under Exchange CPC Policy 2.4, with the exception that general and administrative expenses not to exceed \$3,000 per month may be incurred, including for professional accounting, advisory, and legal services expenses, and are not time limited.

4. DEFERRED FINANCING COSTS

Deferred financing costs relating to the IPO, totaling \$65,315 at December 31, 2021, were expensed to share issuance costs upon completion of the IPO on April 26, 2022.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company’s accounts payable and accrued liabilities as at June 30, 2022 totaling \$50,951 consist mostly of accrued professional fees (\$23,982 at December 31, 2021).

ST CHARLES RESOURCES INC.

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Notes to Condensed Interim Financial Statements

Three and six months ended June 30, 2022 (unaudited – in Canadian dollars)

6. SHARE CAPITAL

Authorized and issued

An unlimited number of common shares with no par value.

Issued and outstanding

As at June 30, 2022, the Company has 27,360,000 issued and outstanding common shares (7,360,000 as at December 31, 2021).

Initial public offering

On April 26, 2022, the Company completed its initial public offering of 20,000,000 common shares in the capital of the Company at \$0.10 per share for gross proceeds of \$2,000,000 (the "Offering"). Share issue expenses excluding the value of the compensation options described below totaled \$315,018. Such expenses included a cash commission of \$200,000 and corporate finance fee of \$12,500 paid to the Agent (as described below) and \$102,518 for legal, audit and regulatory expenses.

Compensation Options

Pursuant to completion of the Offering, iA Private Wealth (the "Agent"), who acted as Agent of the Offering, received a cash commission of \$200,000, a corporate finance fee of \$12,500 and options to purchase up to 2,000,000 shares of the Company. Each such compensation option entitles the holder to acquire one common share of the Company at an exercise price of \$0.10 per share, exercisable for a period of 60 months from the closing date of the Offering. The compensation options were valued at \$136,029 using the Black-Scholes option pricing model based on the following assumptions: expected volatility of 85% based on the average volatility of comparable companies, expected life of five years, expected dividend yield of 0%, risk free interest rate of 2.6% and a share price of \$0.10.

The following table sets out the activity in compensation options:

	Number of compensation options granted	Weighted average exercise price (C\$)
Balance as at December 31, 2021	-	-
Granted	2,000,000	0.10
Balance as at June 30, 2022	2,000,000	0.10

The weighted average remaining life of the compensation options outstanding at June 30, 2022 was 4.83 years.

Pursuant to Exchange CPC Policy 2.4, where the Agent receives an option or the right to subscribe for a certain number of shares as consideration for acting as Agent, 50% of the options exercised or 50% of the shares held pursuant to that right may be sold prior to completion of a Qualifying Transaction. The remaining 50% may only be sold after completion of a Qualifying Transaction.

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Three and six months ended June 30, 2022 (unaudited – in Canadian dollars)

6. SHARE CAPITAL (continued)

Shares subject to escrow

All issued and outstanding seed shares (7,360,000 common shares issued in 2021) and CPC Options (as defined in Note 7) are held in escrow pursuant to the terms of an Escrow Agreement dated February 11, 2022 between the Company, TSX Trust Company, and the holders of the seed shares and the CPC Options. In accordance with Exchange CPC Policy 2.4, they will be released as to 25% on the date of the final Qualifying Transaction Exchange bulletin and an additional 25% on each of the dates that are 6, 12 and 18 months thereafter. All common shares acquired on exercise of CPC Options will have to be deposited and held in escrow pursuant to the requirements of the Exchange. In addition, any securities of the Company acquired from treasury by non-arm's length parties to the Company before the completion of a Qualifying Transaction will have to be deposited and held in escrow.

7. SHARE-BASED PAYMENTS

Stock Option Plan ("Option Plan")

On August 16, 2021, the Board of Directors approved and the Company adopted a stock option plan ("Option Plan"). The Option Plan provides that the Board of Directors of the Company may from time to time, in its discretion and in accordance with the Exchange requirements, grant to directors, officers, consultants and employees of the Company, options to acquire a maximum number of common shares equal to 10% of the total issued and outstanding common shares of the Company, exercisable for a period of up to five years from the date of grant.

Grant of stock options

At the closing of the Offering, the Company granted stock options (the "CPC Options") to directors of the Company to acquire up to an aggregate of 2,736,000 shares. Each CPC Option is exercisable to acquire one share at a price of \$0.10 per share, exercisable for a period of 60 months from the listing date of the shares. These options vested immediately upon grant and were valued at \$186,087 using the Black-Scholes option pricing model based on the following assumptions: expected volatility of 85% based on the average volatility of comparable companies, expected life of five years, expected dividend yield of 0%, risk free interest rate of 2.6% and a share price of \$0.10.

The following table sets out the activity in stock options:

	Number of stock options granted	Weighted average exercise price (C\$)
Balance as at December 31, 2021	-	-
Granted	2,736,000	0.10
Balance as at June 30, 2022	2,736,000	0.10

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Three and six months ended June 30, 2022 (unaudited – in Canadian dollars)

8. PROJECT EVALUATION EXPENSES

	Three months ended June 30, 2022	Six months ended June 30, 2022
	\$	\$
Professional fees	36,979	36,979
Travel	2,611	7,813
	39,590	44,792

9. MANAGEMENT AND ADMINISTRATION EXPENSES

	Three months ended June 30, 2022	Six months ended June 30, 2022
	\$	\$
Consulting fees	1,500	1,500
Professional fees	1,848	1,848
Office and others	2,968	3,116
Reporting issuer costs	962	962
	7,278	7,426

10. NET LOSS PER SHARE

The net loss per common share was based on the loss attributable to common shareholders and the weighted average number of common shares outstanding. The weighted average shares outstanding does not include 7,360,000 escrowed shares as they are contingently returnable.

Diluted loss per share does not include the effect of 2,736,000 stock options and 1,000,000 or 50% of the compensation options outstanding as they are held in escrow until the completion of a Qualifying Transaction. The calculation also excludes the effect of the remaining 1,000,000 compensation options as they are anti-dilutive.