

ST CHARLES RESOURCES INC.
(a Capital Pool Company)

**CONDENSED INTERIM
FINANCIAL STATEMENTS**

**For the three and nine months ended
September 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.

ST CHARLES RESOURCES INC.

(a Capital Pool Company)

Statement of Financial Position

<i>(unaudited, in Canadian dollars)</i>	September 30, 2022	December 31, 2021
	\$	\$
ASSETS		
Current		
Cash and cash equivalents (Note 4)	1,957,153	322,446
Sales taxes receivable	14,802	3,577
Deferred financing costs (Note 5)	-	65,315
	1,971,955	391,338
Non-current		
Property and equipment (Note 6)	3,337	-
TOTAL ASSETS	1,975,292	391,338
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 7)	64,724	23,982
TOTAL LIABILITIES	64,724	23,982
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	1,918,671	368,000
Contributed surplus	322,116	-
Deficit	(330,219)	(644)
TOTAL SHAREHOLDERS' EQUITY	1,910,568	367,356
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,975,292	391,338

Nature of Operations and Going Concern (Note 1)

Proposed Qualifying Transaction and Share Trading Halt (Note 2)

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	Nine months ended
<i>(unaudited, in Canadian dollars)</i>	September 30, 2022	September 30, 2022
	\$	\$
Expenses and other items		
Share-based compensation (Note 9)	-	186,087
Qualifying transaction costs	91,109	128,088
Professional fees	-	1,848
Travel	9,162	16,975
Office and general	6,718	11,334
Filing costs	275	1,237
Depreciation	303	303
Finance income	(11,724)	(16,297)
Net loss and comprehensive loss for the period	(95,843)	(329,575)
Basic and diluted loss per common share (Note 10)	(0.00)	(0.02)
Weighted average number of shares - basic and diluted (Note 10)	27,360,000	18,861,832

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

ST CHARLES RESOURCES INC.

(a Capital Pool Company)

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 8)	20,000,000	2,000,000	-	-	2,000,000
Share issue expenses (Note 8)	-	(449,329)	136,029	-	(313,300)
Share-based compensation (Note 9)	-	-	186,087	-	186,087
Net loss for the period	-	-	-	(329,575)	(329,575)
Balance at September 30, 2022	27,360,000	1,918,671	322,116	(330,219)	1,910,568
Balance at July 16, 2021	-	-	-	-	-
Seed common shares issued for cash	7,360,000	368,000	-	-	368,000
Net loss for the period	-	-	-	(644)	(644)
Balance at December 31, 2021	7,360,000	368,000	-	(644)	367,356

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ST CHARLES RESOURCES INC.

(a Capital Pool Company)

Statement of Cash Flows

	Nine months ended
<i>(unaudited, in Canadian dollars)</i>	September 30, 2022
	\$
OPERATING ACTIVITIES	
Net loss for the period	(329,575)
Adjustment	
Share-based compensation	186,087
Depreciation	303
Changes in other working capital items	
Sales taxes receivable	(11,225)
Accounts payable and accrued liabilities	60,742
	(93,668)
INVESTING ACTIVITIES	
Acquisition of property and equipment (Note 6)	(3,640)
	(3,640)
FINANCING ACTIVITIES	
Private placement (Note 8)	2,000,000
Share issue expenses (Note 8)	(267,985)
	1,732,015
Net change in cash and cash equivalents	1,634,707
Cash, beginning of period	322,446
Cash and cash equivalents, end of period	1,957,153

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 nine months ended September 30, 2022 (unaudited – in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

St Charles Resources Inc. (the “Company” or “St Charles”) was incorporated on July 16, 2021 under the Ontario *Business Corporations Act*. The Company is carrying on business as a Capital Pool Company (“CPC”), as such term is defined in the TSX Venture Exchange (the “TSXV”) Policy 2.4 – Capital Pool Companies (“CPC Policy 2.4”). The Company’s principal purpose is the identification, evaluation and acquisition of businesses or assets with a view to completing a “Qualifying Transaction” as defined in and in accordance with the CPC Policy 2.4.

On April 26, 2022, the Company completed its Initial Public Offering (the “IPO”), and the Company’s common shares (the “Shares”) commenced trading on the TSXV under the symbol “SCRS.P”.

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 \$329,575 for the nine months ending September 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.

ST CHARLES RESOURCES INC.

(a Capital Pool Company)

Notes to Condensed Interim Financial Statements

Three and nine months ended September 30, 2022 (unaudited – in Canadian dollars)

2. PROPOSED QUALIFYING TRANSACTION AND SHARE TRADING HALT

On September 2, 2022, the Company entered into a letter of intent with Eastern Resources OOD (“Eastern Resources”) in respect of a proposed business combination transaction pursuant to which the Company would acquire all of the issued and outstanding securities of Eastern Resources (the “Proposed Transaction”). It is intended that the Proposed Transaction will constitute the Company's Qualifying Transaction.

Eastern Resources is a private gold exploration company incorporated under the laws of Bulgaria with its head office located in Sofia, Bulgaria. Eastern Resources controls 100% of two quality epithermal gold projects located in the Bulgarian portion of the Western Tethyan Belt: the Kutel Gold Project and the Kostilkovo Gold Project.

The letter of intent contemplates that the Company, Eastern Resources and the shareholders of Eastern Resources (if required pursuant to the terms of the Proposed Transaction) will enter into a definitive agreement on or before November 30, 2022 (the “Definitive Agreement”), pursuant to which the Company will acquire all of the issued and outstanding Eastern Resources shares in exchange for Shares in the capital of the Company. It is anticipated that the Proposed Transaction will be structured as a direct share exchange, three-cornered amalgamation, plan of arrangement or other structure based on the advice of the Parties' respective advisers and taking into account various securities, tax, operating and other considerations.

Pursuant to the Proposed Transaction, the Company intends on issuing Shares to holders of Eastern Resources shares on the basis of 952,380 Shares for each one (1) Eastern Resources share, for an aggregate of 33,333,300 Shares issued in exchange for 100% of the issued and outstanding Eastern Resources shares, being 35 Eastern Resources shares.

It is anticipated that the corporation resulting from the Proposed Transaction (the “Resulting Issuer”) will carry on the business of Eastern Resources. The business of the Resulting Issuer will be primarily focused on the exploration of the Kutel Gold Project, the Kostilkovo Gold Project, and the acquisition of additional properties in line with its focused exploration strategy.

Completion of the Proposed Transaction is conditional upon, among other standard conditions for a transaction of this nature including, among other things: (i) the negotiation, execution and delivery of the Definitive Agreement; (ii) completion of two NI 43-101 compliant technical reports in respect of the Kutel Gold Project and the Kostilkovo Gold Project that are acceptable to the TSXV and the Company; (iii) the delivery of audited, unaudited and pro forma financial statements; (iv) Eastern Resources delivering a title opinion for each of the Kutel Gold Project and the Kostilkovo Gold Project in a form and content reasonably satisfactory to the Company; (v) receipt of all required consents and approvals for the Proposed Transaction and the Definitive Agreement; (vi) completion of satisfactory due diligence by each party; and (vii) TSXV acceptance. There can be no assurance that all of the necessary regulatory and shareholder approvals will be obtained or that all conditions of closing will be met.

In accordance with the letter of intent, the deadline for the completion of the Proposed Transaction is February 28, 2023, or such other date as may be agreed upon by the parties in writing. Either the Company or Eastern Resources may terminate the letter of intent if the Definitive Agreement is not entered into on or before November 30, 2022 or such other date as agreed to by the parties in writing.

ST CHARLES RESOURCES INC.

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Notes to Condensed Interim Financial Statements

Three and nine months ended September 30, 2022 (unaudited – in Canadian dollars)

2. PROPOSED QUALIFYING TRANSACTION AND SHARE TRADING HALT (continued)

The Company has engaged iA Capital Markets, a division of iA Private Wealth Inc. (the “Sponsor”) to act as sponsor for the Proposed Transaction. Subject to completion of satisfactory due diligence, the Proposed Sponsor has agreed to act as sponsor in connection with the Proposed Transaction. An agreement to sponsor should not be construed as any assurance with respect to the merits of the transaction or the likelihood of completion.

In connection with the Proposed Transaction and pursuant to the requirements of the TSXV, the Company intends to file a filing statement on its issuer profile on SEDAR (www.sedar.com), which will contain relevant details relating to the Proposed Transaction, the Company, Eastern Resources and the Resulting Issuer. Upon closing of the Proposed Transaction, it is anticipated that the Resulting Issuer will be listed as a Tier 2 mining issuer on the TSXV, with Eastern Resources as the Company’s primary operating subsidiary.

Trading in the common shares of the Company was halted on September 2, 2022 pursuant to the policies of the TSXV. Trading will remain halted until, among other things, the Company completes certain regulatory filings in connection with the Proposed Transaction and the TSXV has completed certain matters it considers necessary or advisable.

3. 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 Prospectus dated April 7, 2022 available on SEDAR at www.sedar.com.

The Board of Directors approved these unaudited condensed interim financial statements on October 27, 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.

ST CHARLES RESOURCES INC.

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Notes to Condensed Interim Financial Statements

Three and nine months ended September 30, 2022 (unaudited – in Canadian dollars)

4. CASH AND CASH EQUIVALENTS

As at September 30, 2022, cash and cash equivalents of \$1,957,153 includes \$1,500,000 of guaranteed investment certificates bearing interest at a weighted-average rate of 3.70%, redeemable until October 25, 2022.

Restrictions on use of funds from the IPO

The gross proceeds raised from the IPO (Note 8) 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 the 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.

5. 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.

6. PROPERTY AND EQUIPMENT

Assets subject to depreciation and amortization are as follows:

	\$
Net book value at December 31, 2021	-
Acquisition – office equipment	3,640
Depreciation	(303)
Net book value at September 30, 2022	3,337

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company’s accounts payable and accrued liabilities of \$64,724 at September 30, 2022 (\$23,982 at December 31, 2021) consist mostly of accrued Qualifying Transaction costs (\$61,109).

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Notes to Condensed Interim Financial Statements

Three and nine months ended September 30, 2022 (unaudited – in Canadian dollars)

8. SHARE CAPITAL

Authorized and issued

An unlimited number of Shares with no par value.

Issued and outstanding

As at September 30, 2022, the Company has 27,360,000 issued and outstanding 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 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 \$313,300. Such expenses included a cash commission of \$200,000, a corporate finance fee of \$12,500 paid to the Agent (as described below) and \$100,800 in 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 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 September 30, 2022	2,000,000	0.10

The weighted average remaining life of the compensation options outstanding at September 30, 2022 was 4.6 years.

Pursuant to the 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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Notes to Condensed Interim Financial Statements

Three and nine months ended September 30, 2022 (unaudited – in Canadian dollars)

8. SHARE CAPITAL (continued)

Shares subject to escrow

All issued and outstanding seed shares (7,360,000 Shares issued in 2021) and CPC Options (as defined in Note 9) are held in escrow pursuant to the terms of Escrow Agreements dated February 11, 2022 (seed shares) and April 26, 2022 (CPC Options) between the Company, TSX Trust Company, and the holders of the seed shares and the CPC Options. In accordance with the 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 Shares acquired on exercise of CPC Options will have to be deposited and held in escrow pursuant to the requirements of the TSXV. 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.

9. 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 TSXV 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 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 September 30, 2022	2,736,000	0.10

The weighted average remaining life of the stock options outstanding at September 30, 2022 was 4.6 years.

ST CHARLES RESOURCES INC.

(a Capital Pool Company)

Notes to Condensed Interim Financial Statements

Three and nine months ended September 30, 2022 *(unaudited – in Canadian dollars)*

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