

Lion Rock Resources Inc.
(An Exploration Company)
(formerly King's Bay Resources Corp.)

Condensed Consolidated Interim Financial Statements

Nine Months Ended September 30, 2022

(Unaudited – Expressed in Canadian Dollars)

**Notice of No Auditor Review of
Interim Financial Statements**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these interim financial statements, they must be accompanied by a notice indicating that these interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

Lion Rock Resources Inc. (formerly King's Bay Resources Corp.)

Condensed Consolidated Interim Statements of Financial Position

Expressed in Canadian Dollars

(Prepared by Management)

	September 30, 2022	December 31, 2021
	(unaudited)	
Assets		
Current		
Cash	\$ 716,892	\$ 163,504
Goods and Services Tax and other receivables	16,602	-
Prepaid expenses	691	2,099
	734,185	165,603
Exploration and evaluation assets (Note 6)	562,469	-
	\$ 1,296,654	\$ 165,603
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 10)	\$ 121,761	\$ 36,179
Goods and Services Tax payable	-	4,959
Loans payable (Note 7)	179,000	-
	300,761	41,138
Shareholders' Equity		
Share capital (Notes 8 and 10)	22,089,766	20,980,266
Reserves	-	424,250
Deficit	(21,093,873)	(21,280,051)
	995,893	124,465
	\$ 1,296,654	\$ 165,603

Note 2 – Going concern

Approved and authorized by the Board of Directors on November 28, 2022:

*“Kevin Bottomley”**“Nathan Tribble”*_____
President, Director_____
Director

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

Lion Rock Resources Inc. (formerly King's Bay Resources Corp.)
Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
Expressed in Canadian Dollars
(Unaudited – Prepared by Management)

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Expenses				
Accounting and audit fees (Note 10)	\$ 10,195	\$ 13,300	\$ 40,095	\$ 37,300
Accretion (Note 8d)	-	-	-	2,192
Advertising and promotions	27,380	538	27,740	7,458
Consulting fees (Note 10)	23,789	-	23,789	-
Foreign exchange loss	142	-	142	-
Legal fees	69,760	460	73,382	9,345
Office and general	7,411	162	8,035	1,030
Public company costs	49,838	465	60,786	13,687
Rent (Note 10)	4,000	-	4,000	-
Travel and meals	103	-	103	-
Operating Expenses	(192,618)	(14,925)	(238,072)	(71,012)
Other Income				
Extinguish gain (Note 8d)	-	-	-	52,450
Net Loss and Comprehensive Loss for the Period	\$ (192,618)	\$ (14,925)	\$ (238,072)	\$ (18,562)
Basic and Diluted Loss per Share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	42,634,858	23,971,815	30,261,192	20,528,614

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

Lion Rock Resources Inc. (formerly King's Bay Resources Corp.)

Condensed Consolidated Interim Statements of Changes in Equity

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

	Number of Shares	Share Capital \$	Reserves \$	Equity Portion of Convertible Note \$	Deficit \$	Total \$
Balance, December 31, 2020	6,881,015	19,865,083	424,250	57,324	(20,960,612)	(613,955)
Shares issued for cash (Note 8b)	12,300,000	615,000	-	-	-	615,000
Shares issued for debt (Note 8b)	4,790,800	239,540	-	-	-	239,540
Share issuance costs	-	(5,933)	-	-	-	(5,933)
Equity portion of convertible notes (Note 8d)	-	-	-	(57,324)	-	(57,324)
Net loss for the period	-	-	-	-	(18,562)	(18,562)
Balance, September 30, 2021	23,971,815	20,713,690	424,250	-	(20,979,174)	158,766
	Number of Shares	Share Capital \$	Reserves \$	Equity Portion of Convertible Note \$	Deficit \$	Total \$
Balance, December 31, 2021	23,971,815	20,980,266	424,250	-	(21,280,051)	124,465
Shares issued for cash (Note 8b)	15,000,000	750,000	-	-	-	750,000
Shares issued for exploration and evaluation assets (Note 8b)	5,200,000	364,000	-	-	-	364,000
Share issuance costs	-	(4,500)	-	-	-	(4,500)
Expiration of stock options (Note 9)	-	-	(424,250)	-	424,250	-
Net loss for the period	-	-	-	-	(238,072)	(238,072)
Balance, September 30, 2022	44,171,815	22,089,766	-	-	(21,093,873)	995,893

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

Lion Rock Resources Inc. (formerly King's Bay Resources Corp.)

Condensed Consolidated Interim Statements of Cash Flows

For the Nine Months Ended September 30,

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

	2022	2021
Operating Activities		
Net loss for the period	\$ (238,072)	\$ (18,562)
Adjustments for items not involving cash:		
Accretion expense	-	2,192
Extinguish gain	-	(52,450)
Changes in non-cash operating working capital:		
Goods and Services Tax and other receivables	(15,495)	728
Prepaid expenses	1,408	(122,245)
Accounts payable and accrued liabilities	58,776	(213,798)
Subscriptions payable	-	(25,000)
Net Cash Used in Operating Activities	(193,383)	(429,135)
Investing Activities		
Cash assumed on acquisition of Lion Rock Exploration Inc.	1,271	-
Net Cash Provided by Investing Activities	1,271	-
Financing Activities		
Shares issued for cash	750,000	615,000
Share issuance costs	(4,500)	(5,933)
Convertible promissory notes	-	(123,435)
Net Cash Provided by Financing Activities	745,500	485,632
Increase in Cash	553,388	56,497
Cash, Beginning of Period	163,504	3,187
Cash, End of Period	\$ 716,892	\$ 59,684
Non-Cash Transactions and Supplemental Disclosures		
Shares issued for exploration and evaluation assets	\$ 364,000	\$ -
Fair value of stock options expired	\$ 424,250	\$ -
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

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

Lion Rock Resources Inc. (formerly King's Bay Resources Corp.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2022 and 2021

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

1. NATURE OF OPERATIONS

Lion Rock Resources Inc. (“Lion Rock” or the “Company”) was incorporated in Canada pursuant to the *Canada Business Corporations Act* on March 20, 1998. The Company is a public company, and as of July 12, 2022, is listed on the TSX Venture Exchange in Canada with the symbol “ROAR”. The Company is in the business of acquiring, exploring, developing and evaluating mineral resource properties.

The head office, principal address, and registered and records office of the Company are located at 1680 – 200 Burrard Street, Vancouver, British Columbia, Canada, V6C 3L6.

2. GOING CONCERN

The Company has not generated any revenues and has a net loss of \$238,072 during the nine months ended September 30, 2022 (2021 - \$18,562) and accumulated deficit of \$21,093,873 (December 31, 2021 - \$21,280,051) since inception. As at September 30, 2022, the Company has working capital of \$433,424 (December 31, 2021 - \$124,465). These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will 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 application of the going concern concept is dependent upon the Company’s ability to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its mineral property interests, the attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interests. Management is actively seeking to raise the necessary capital to meet its funding requirements. The conditions described above indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern.

The Company is not expected to be profitable during the ensuing twelve months, and therefore, must rely on securing additional funds from either debt or equity financings for cash consideration. While the Company is expanding its best efforts to achieve the continued financing, there is no assurance that any such activity will generate sufficient funds for future operations.

Early in 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company, as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. The Company has not been directly impacted by COVID-19.

3. BASIS OF PRESENTATION

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board, and Interpretations of the International Financial Reporting Interpretations Committee, applicable to the preparation of interim financial statements, including International Accounting Standard 34 *Interim Financial Reporting*.

Lion Rock Resources Inc. (formerly King's Bay Resources Corp.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2022 and 2021

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(Unaudited – Prepared by Management)

3. BASIS OF PRESENTATION – continued

Basis of Measurement

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiary acquired on July 7, 2022, Lion Rock Exploration Inc. (“LRE”), for the periods presented. Intercompany balances and transactions are eliminated in preparation of the Company’s condensed consolidated interim financial statements.

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

Approval of the Financial Statements

The condensed consolidated interim financial statements of Lion Rock for the nine months ended September 30, 2022 were authorized for issue in accordance with a resolution of the directors on November 28, 2022.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Estimates and Assumptions

In particular, information about significant areas of estimation uncertainty considered by management in preparing the condensed consolidated interim financial statements includes:

- The inputs used in assessing the recoverability of deferred tax assets to the extent that the deductible temporary differences will reverse in the foreseeable future and that the Company will have future taxable income.
- The assumptions and inputs used in calculating the fair value of the liability portion of the convertible promissory notes payable.
- The application of the Company’s accounting policy for exploration and evaluation expenditures and impairment of the capitalized expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the year the new information becomes available.

Lion Rock Resources Inc. (formerly King's Bay Resources Corp.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2022 and 2021

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS – continued

Management Judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies from those involving estimations that have the most significant effect on the amounts recognized in the Company's condensed consolidated interim financial statements are as follows:

- The assessment of the Company's ability to continue as a going concern requires significant judgment. The condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, as disclosed in Note 2.
- Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

5. SIGNIFICANT ACCOUNTING POLICIES

The policies applied in these condensed consolidated interim financial statements are consistent with policies disclosed in Note 5 of the financial statements for the year ended December 31, 2021. These condensed consolidated interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2021.

6. EXPLORATION AND EVALUATION ASSETS

Maybrun Property

On July 7, 2022, the Company acquired all of the issued and outstanding common shares of LRE in exchange for the issuance of 5,000,000 common shares (valued at \$350,000) to the shareholders of LRE and the issuance of 200,000 common shares (valued at \$14,000) to the former vendors of the Maybrun Property.

The acquisition of LRE has been accounted for as an acquisition of assets and liabilities, as LRE does not meet the definition of a business under IFRS 3 *Business Combinations*. The acquisition of the net assets of LRE was recorded at the fair value of the consideration transferred of \$364,000, as detailed above.

Net Assets Acquired	
Cash	\$ 1,271
Goods and Services Tax and other receivables	6,066
Exploration and evaluation assets	562,469
Accounts payable and accrued liabilities	(26,806)
Loans payable	(179,000)
	<hr/>
	\$ 364,000

As a result of the acquisition, the Company acquired 100% of the interest in the Maybrun Property, a mineral exploration property located in Ontario.

Lion Rock Resources Inc. (formerly King's Bay Resources Corp.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2022 and 2021

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

6. EXPLORATION AND EVALUATION ASSETS – continued

A summary of exploration and evaluation expenditures for the three months ended September 30, 2022 and year ended December 31, 2021 is as follows:

	Maybrun Property
Balance, December 31, 2020 and 2021	\$ -
Acquisition Costs	
Acquisition	413,182
Claim costs	3,756
Total Acquisition Costs	416,938
Exploration Costs	
Geological	134,879
Environmental	10,652
Total Exploration Costs	145,531
Balance, September 30, 2022	\$ 562,469

7. LOANS PAYABLE

Upon the acquisition of LRE, the Company assumed loans payable to shareholders of the Company. The amounts are unsecured, non-interest-bearing and due on demand.

8. SHARE CAPITAL

a) Authorized

Unlimited number of Class A common voting shares with no par value

Unlimited number of Class B common non-voting shares with no par value

b) Issued and outstanding

During the nine months ended September 30, 2022:

On July 7, 2022, Company closed a non-brokered private placement of 15,000,000 units at a price of \$0.05 per unit for gross proceeds of \$750,000. Each unit consisted of one common share and one-half of one share purchase warrant, with each warrant exercisable into one additional common share at a price of \$0.10 for a period of two years from closing. The Company incurred share issuance costs of \$4,500.

Concurrently, the Company closed its acquisition of LRE. The Company acquired all of the issued and outstanding common shares of LRE in exchange for the issuance of 5,000,000 common shares (valued at \$350,000) to the shareholders of LRE and the issuance of 200,000 common shares (valued at \$14,000) to the former vendors of the Maybrun Property.

During the year ended December 31, 2021:

On January 22, 2021, the Company consolidated its shares on a 10:1 basis. All shares shown in these condensed consolidated interim financial statements are at their post-consolidated value.

Lion Rock Resources Inc. (formerly King's Bay Resources Corp.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2022 and 2021

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8. SHARE CAPITAL – continued

b) Issued and outstanding – continued

On February 24, 2021, the Company closed a non-brokered private placement financing of 12,300,000 units at a price of \$0.05 per unit for gross proceeds of \$615,000. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one common share at a price of \$0.10 until February 24, 2022. As the price for the unit was less than the market price of the share on the closing date, \$nil has been assigned to the warrants. No finder's fees were issued pursuant to the financing. The legal fee of \$5,933 related to the financing has been recorded as share issuance costs.

On February 24, 2021, the Company issued a total of 4,790,800 common shares at a price of \$0.11 per common share to certain creditors pursuant to certain debt settlement agreements. The securities issued under the debt settlement are subject to a statutory hold period expiring on June 25, 2021. In addition, 850,000 of the debt settlement shares are subject to added hold periods such that 90% are released as to 15% every nine months commencing August 24, 2021 until the full 90% has been released after 36 months. An insider of the Company received an aggregate 815,800 shares under the debt settlement.

c) Warrants

A summary of the Company's outstanding and exercisable warrants as at September 30, 2022 and December 31, 2021 are as follows:

	September 30, 2022		December 31, 2021	
	Number of Warrants	Weighted Average Exercise Price \$	Number of Warrants	Weighted Average Exercise Price \$
Balance, beginning of period	12,300,000	0.10	-	-
Issued	7,500,000	0.10	12,300,000	0.10
Expired	(12,300,000)	0.10	-	-
Balance, end of period	7,500,000	0.10	12,300,000	0.10

The following warrants were outstanding and exercisable at September 30, 2022:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price \$	Warrants
July 7, 2024	1.77	0.10	7,500,000

d) Convertible promissory notes payable

On August 8, 2019, the Company closed its private placement offering of unsecured convertible notes for gross proceeds of \$142,500 from several parties, including two directors of the Company. The loans are unsecured, carry an interest rate of 12% and are due August 8, 2020. The loans are convertible into units at a price of \$0.20 per unit. Each unit consists of one common share and one share purchase warrant exercisable for two years. Each warrant may be exercised for one common share at a price of \$0.35 if exercised in the first year and \$0.60 if exercised in the second year. On August 8, 2020, the Company extended the convertible date of the notes for an additional twelve months.

Lion Rock Resources Inc. (formerly King's Bay Resources Corp.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2022 and 2021

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

8. SHARE CAPITAL – continued

d) Convertible promissory notes payable – continued

The initial fair value of the principal portion of the convertible debenture was determined using a market interest rate for an equivalent non-convertible instrument at the issue date. The principal portion is subsequently recognized on an amortized cost basis until extinguished on conversion or maturity. The remainder of the proceeds are allocated to the conversion option. On initial recognition, the unsecured convertible notes of \$142,500 were broken down into the following financial components: a financial liability of \$122,769 and an equity instrument of \$19,731.

During the year ended December 31, 2020, the Company and investors mutually agreed to modify certain terms of the convertible debenture. The modifications were assessed to be substantial, and therefore, accounted for as an extinguishment of the original financial liabilities and recognition of a new financial liability. The Company recognized an extinguish loss of \$11,397, a new equity portion of the modified convertible debentures of \$37,593 and accretion expense of \$32,240.

On February 28, 2021, the Company and investors mutually agreed to cancel their convertible notes. Two of the convertible Note holders received the principal and interest payable on February 28, 2021, while the remaining holders all waived the interest payable and their initial investment was returned. The Company recognized an accretion expense of \$2,192 and reversed the equity portion of the convertible debentures of \$57,324. As a result, an extinguish gain of \$52,450 has been recognized during the year ended December 31, 2021.

9. SHARE-BASED PAYMENTS

Options

The Company has a Stock Option Plan (the “Plan”) under which it is authorized to grant options to directors, officers, consultants or employees of the Company. At the Company’s Annual and Special General Meeting on October 10, 2019, the shareholders approved the “2019 Stock Option Plan”, and set the number of options granted under the Plan to not exceed 10% of the issued and outstanding shares. Options granted to employees vest fully on grant. Options issued to investor relations consultants vest in stages over twelve months with one quarter of the options vesting in any three-month period. Subsequent to September 30, 2022, at the Company’s Annual General Meeting on October 4, 2022, the shareholders approved the “2022 Stock Option Plan” which has the same terms.

The following is a summary of movements in the number of share options outstanding and their related weighted average exercise prices under the Company’s Plan for the nine months ended September 30, 2022 and year ended December 31, 2021:

	September 30, 2022		December 31, 2021	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Balance, beginning of period	132,500	1.00	132,500	1.00
Expired	(132,500)	1.00	-	-
Balance, end of period	-	-	132,500	1.00

Lion Rock Resources Inc. (formerly King's Bay Resources Corp.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2022 and 2021

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

9. SHARE-BASED PAYMENTS – continued

During the nine months ended September 30, 2022, the Company transferred \$424,250 from reserves to deficit upon the expiry of 132,500 stock options granted to consultants.

10. RELATED PARTY TRANSACTIONS

These amounts of key management compensation are included in the amounts shown on the condensed consolidated interim statements of operations and comprehensive loss for the nine months ended September 30, 2022 and 2021:

	2022	2021
	\$	\$
Short-term compensation		
Accounting fees	34,000	36,000
Consulting fees	15,000	-

During the nine months ended September 30, 2022, the Company incurred \$4,000 (2021 - \$nil) in rent to a company with a common officer.

During the year ended December 31, 2021, a director received an aggregate 815,800 shares under a debt settlement agreement with a deemed price of \$0.05 per share (see Note 8b).

As at September 30, 2022, the Company has outstanding amounts payable to officers and directors of the Company of \$6,300 (December 31, 2021 - \$nil).

These transactions are in the normal course of operations and have been valued in these condensed consolidated interim financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The amounts due are unsecured, non-interest-bearing and have no specific terms of repayment.

11. FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument-related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counter party limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

a) Credit risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash balance. The Company manages its credit risk on bank deposits by holding deposits in high credit quality banking institutions in Canada.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Lion Rock Resources Inc. (formerly King's Bay Resources Corp.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended September 30, 2022 and 2021

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

11. FINANCIAL RISK MANAGEMENT – continued

c) Liquidity risk – continued

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has a cash balance and is not exposed to any significant interest rate risk.

e) Capital management

Capital is comprised of the Company's shareholders' equity and any debt it may issue. As at September 30, 2022, the Company's shareholders' equity was \$995,893 (December 31, 2021 - \$124,465). The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its operations and business development. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company has not generated any revenues and cash flows since its inception; therefore, the Company is dependent on external financing to fund its business plan. The capital structure of the Company currently consists of working capital and shareholders' equity. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

f) Fair value

The fair values of the Company's financial assets and liabilities approximate the carrying amounts.

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

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

The level in the fair value hierarchy within which the financial asset is categorized in its entirety is based on the lowest level of input that is significant to the fair value measurement.

Cash is grouped into Level 1 as at September 30, 2022 and December 31, 2021.

Financial instruments that are not measured at fair value on the condensed consolidated interim statement of financial position are represented by accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value due to their short-term nature.