

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

Condensed Consolidated Interim Financial Statements

For the Nine Months Ended September 30, 2023 and 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, 2023	December 31, 2022
	(unaudited)	
Assets		
Current		
Cash	\$ 1,059,891	\$ 569,785
Goods and Services Tax receivable	9,731	11,806
Prepaid expenses	66,559	-
	1,136,181	581,591
Exploration and evaluation assets (Note 6)	2,285,685	1,912,469
	\$ 3,421,866	\$ 2,494,060
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 11)	\$ 135,369	\$ 83,088
Loans payable (Note 7)	124,200	179,000
	259,569	262,088
Asset retirement obligation (Note 8)	1,350,000	1,350,000
	1,609,569	1,612,088
Shareholders' Equity		
Share capital (Note 9)	23,517,691	22,089,766
Deficit	(21,705,394)	(21,207,794)
	1,812,297	881,972
	\$ 3,421,866	\$ 2,494,060

Note 2 – Going concern

Approved and authorized by the Board of Directors on November 20, 2023:

*“Kevin Bottomley”*_____
Director*“Richard Boulay”*_____
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
For the Nine Months Ended September 30,
Expressed in Canadian Dollars
(Unaudited – prepared by management)

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Expenses				
Accounting and audit fees (Note 11)	\$ 9,120	\$ 10,195	\$ 65,501	\$ 40,095
Consulting fees (Note 11)	152,500	23,789	243,000	23,789
Exploration and evaluation expenditures (Note 6)	21,087	-	35,912	-
Legal fees	12,100	69,760	23,756	73,382
Office and general	2,211	7,656	5,485	8,280
Public company costs	28,177	49,838	84,306	60,786
Rent (Note 11)	12,000	4,000	36,000	4,000
Shareholder communications and investor relations	1,005	27,380	3,640	27,740
Net Loss and Comprehensive Loss for the Period	\$ (238,200)	\$ (192,618)	\$ (497,600)	\$ (238,072)
Basic and Diluted Loss per Share	\$ (0.01)	\$ (0.00)	\$ (0.02)	\$ (0.01)
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	24,748,033	42,634,858	20,101,286	30,261,192

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 Shareholders' Equity

For the Nine Months Ended September 30, 2023 and 2022

Expressed in Canadian Dollars

(Unaudited – prepared by management)

	Number of Shares	Share Capital \$	Share Subscriptions Received \$	Deficit \$	Total \$
Balance, December 31, 2021	23,971,815	20,980,266	424,250	(21,280,051)	124,465
Shares issued for cash (Note 9b)	15,000,000	750,000	-	-	750,000
Shares issued for exploration and evaluation assets (Note 9b)	5,200,000	364,000	-	-	364,000
Share issuance costs	-	(4,500)	-	-	(4,500)
Expiration of stock options (Note 10)	-	-	(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
	Number of Shares	Share Capital \$	Share Subscriptions Received \$	Deficit \$	Total \$
Balance, December 31, 2022	17,668,685	22,089,766	-	(21,207,794)	881,972
Shares issued for cash (Note 9b)	10,700,000	1,070,000	-	-	1,070,000
Share issuance costs	-	(14,075)	-	-	(14,075)
Shares issued for exploration and evaluation assets (Note 9b)	3,100,000	372,000	-	-	372,000
Net loss for the period	-	-	-	(497,600)	(497,600)
Balance, September 30, 2023	31,468,685	23,517,691	-	(21,705,394)	1,812,297

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)

	2023	2022
Operating Activities		
Net loss for the period	\$ (497,600)	\$ (238,072)
Changes in non-cash operating working capital:		
Goods and Services Tax receivable	2,075	(15,495)
Prepaid expenses	(66,559)	1,408
Accounts payable and accrued liabilities	52,281	58,776
Net Cash Used in Operating Activities	(509,803)	(193,383)
Investing Activities		
Exploration and evaluation expenditures	(1,216)	-
Cash assumed on acquisition of Lion Rock Exploration Inc.	-	1,271
Net Cash Provided by (Used in) Investing Activities	(1,216)	1,271
Financing Activities		
Shares issued for cash	1,070,000	750,000
Share issuance costs	(14,075)	(4,500)
Repayment of loans payable	(54,800)	-
Net Cash Provided by Financing Activities	1,001,125	745,500
Increase in Cash	490,106	553,388
Cash, Beginning of Period	569,785	163,504
Cash, End of Period	\$ 1,059,891	\$ 716,892
Non-cash Investing and Financing Activities and Supplemental Disclosures		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -
Shares issued for exploration and evaluation assets	\$ 372,000	\$ 364,000
Fair value of stock options expired	\$ -	\$ 424,250

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 Nine Months Ended September 30, 2023 and 2022

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. On August 11, 2020, the Company continued from being incorporated under Canadian federal jurisdiction to being incorporated under the *Business Corporations Act* of British Columbia. The Company is a public company, and as of July 12, 2022, is listed on the TSX Venture Exchange (“TSX-V”) in Canada with the symbol “ROAR”. The Company is in the business of acquiring, exploring, developing and evaluating mineral resource properties. The Company changed its name from King’s Bay Resources Corp. to Lion Rock Resources Inc. on July 7, 2022.

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 \$497,600 during the nine months ended September 30, 2023 (2022 - \$238,072) and accumulated deficit of \$21,705,394 (December 31, 2022 - \$21,207,794) since inception. As at September 30, 2023, the Company has working capital of \$876,612 (December 31, 2022 - \$319,503). 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.

The Company’s business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events, including relations between NATO and the Russian Federation regarding the situation in Ukraine, and potential economic global challenges, such as the risk of higher inflation and the energy crises, may create further uncertainty and risk with respect to the prospects of the Company’s business.

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 (“IASB”), and Interpretations of the International Financial Reporting Interpretations Committee, applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*.

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

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended September 30, 2023 and 2022

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3. BASIS OF PRESENTATION – continued

Basis of Measurement and Consolidation

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 as at September 30, 2023 and for the nine months then ended were authorized for issue in accordance with a resolution of the directors on November 20, 2023.

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.

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.
- The application of the Company’s accounting policy for exploration and evaluation assets and impairment of the capitalized costs requires judgment in determining whether there are indicators of impairment under IFRS 6 *Exploration for and Evaluation of Mineral Resources*.
- The determination of the acquisition of LRE as an asset acquisition rather than a business combination requires management judgment whether LRE met the definition of business, as disclosed in Note 6.
- The determination of the asset retirement obligation on the Maybrun Property requires management judgment on the timing and amount of remediation costs, as disclosed in Note 8.

5. SIGNIFICANT ACCOUNTING POLICIES

The policies applied in these condensed consolidated interim financial statements are consistent with policies disclosed in Note 5 of the consolidated financial statements for the year ended December 31, 2022 unless otherwise noted. These condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements as at December 31, 2022 and for the year then ended.

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

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended September 30, 2023 and 2022

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(Unaudited – prepared by management)

5. SIGNIFICANT ACCOUNTING POLICIES – continued

New Accounting Standards

Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments)

These amendments continue the IASB's clarifications on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include: requiring companies to disclose their material accounting policies instead of their significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material. The IASB also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures.

These amendments were adopted for the year ended December 31, 2023. These amendments reduced the disclosure of accounting policies for the Company.

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

These amendments clarify how companies account for deferred taxes on transactions, such as leases and decommissioning obligations, with a focus on reducing diversity in practice. They narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

These amendments to IAS 12 were adopted for the year ended December 31, 2023. There was no impact for the Company.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1 Presentation of Financial Statements)

IAS 1 has been amended to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

These amendments to IAS 1 were adopted for the year ended December 31, 2023. There was no impact for the Company.

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Notes to the Condensed Consolidated Interim Financial Statements

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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 2,000,000 common shares (valued at \$350,000) to the shareholders of LRE and the issuance of 80,000 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	1,912,469
Accounts payable and accrued liabilities	(26,806)
Loans payable	(179,000)
Asset retirement obligation	(1,350,000)
	\$ 364,000

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

Revell Property

On June 8, 2023, the Company entered into an option agreement to acquire a 100% interest in the Revell Property located in Ontario, Canada. Under the terms of the agreement, the Company is required to make cash payments and issue common shares of the Company as follows:

- Issue 1,600,000 common shares of the Company within five days of approval by the TSX-V, which was received on June 21, 2023 (issued and valued at \$192,000);
- Pay \$150,000 on or before December 21, 2023; and
- Pay \$100,000 and issued 2,000,000 common shares of the Company on or before June 21, 2024.

The claims are subject to a 2% net smelter return (“NSR”) royalty, of which one-half (1%) can be purchased by the Company for \$500,000.

Fleuron Property

On June 13, 2023, the Company entered into an option agreement to acquire a 100% interest in the Fleuron Property, located in Quebec, Canada. Under the terms of the agreement, the Company is required to make cash payments and issue common shares of the Company as follows:

- Issue 1,500,000 common shares of the Company within five days of approval by the TSX-V, which was received on July 19, 2023 (issued and valued at \$180,000);
- Pay \$100,000 on or before January 19, 2024;
- Pay \$150,000 and issued 2,000,000 common shares of the Company on or before July 19, 2024; and
- Pay \$150,000 and issued 2,000,000 common shares of the Company on or before July 19, 2025.

The claims are subject to a 2% NSR royalty, of which one-half (1%) can be purchased by the Company for \$500,000.

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

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended September 30, 2023 and 2022

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(Unaudited – prepared by management)

6. EXPLORATION AND EVALUATION ASSETS – continued

A summary of exploration and evaluation assets for the nine months ended September 30, 2023 and year ended December 31, 2022 is as follows:

	Maybrun Property	Revell Property	Fleuron Property	Total
Balance, December 31, 2021	\$ -	\$ -	\$ -	\$ -
Acquisition Costs				
Acquisition	1,912,469	-	-	1,912,469
Balance, December 31, 2022	1,912,469	-	-	1,912,469
Acquisition Costs				
Acquisition	-	192,000	180,000	372,000
Claim costs	1,216	-	-	1,216
	1,216	192,000	180,000	373,216
Balance, September 30, 2023	\$ 1,913,685	\$ 192,000	\$ 180,000	\$ 2,285,685

A summary of exploration and evaluation expenditures for the nine months ended September 30, 2023 and 2022 is as follows:

	Maybrun Property	Revell Property	Fleuron Property	Total
Balance, September 30, 2022	\$ -	\$ -	\$ -	\$ -
Acquisition Costs				
Environmental	13,745	-	-	13,745
Geological	14,667	-	7,500	22,167
	28,412	-	7,500	35,912
Balance, September 30, 2023	\$ 28,412	\$ -	\$ 7,500	\$ 35,912

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

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended September 30, 2023 and 2022

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7. LOANS PAYABLE

Upon the acquisition of LRE, the Company assumed loans payable. The amounts are unsecured, non-interest-bearing and due on demand. On September 7, 2023, the Company repaid loans payable of \$54,800.

8. ASSET RETIREMENT OBLIGATION

The Company's asset retirement obligation provision consists of costs associated with mine reclamation and closure activities. These activities, which are site specific, generally include costs for earthworks, revegetation, water treatment, waste management and demolition.

The Company estimated the fair value of the asset retirement obligation for the Maybrun Property to be \$1,350,000 at September 30, 2023 (December 31, 2022 - \$1,350,000). The fair value of the liability was determined to be equal to the estimated remediation costs. The Company is still in the early stages of developing a remediation plan, which will then require approval from the relevant governmental authorities. Due to the early stages of the remediation plan, the Company is unable to predict with any precision the timing of the cash flow related to the reclamation activities. The Company anticipates the reclamation activities and related costs to occur over a significant period of time, with the majority of the expenditures expected to occur from 2024 onwards.

There are no changes to the asset retirement obligation provision as at September 30, 2023.

9. 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

On March 6, 2023, the Company consolidated its shares on a 2.5:1 basis. All shares shown in these condensed consolidated interim financial statements are at their post-consolidated value.

During the nine months ended September 30, 2023:

On June 22, 2023, the Company issued 1,600,000 common shares valued at \$192,000 for the Revell Property (Note 6).

On July 27, 2023, the Company issued 1,500,000 common shares valued at \$180,000 for the Fleuron Property (Note 6).

On August 23, 2023, Company closed a non-brokered private placement of 10,700,000 units at a price of \$0.10 per unit for gross proceeds of \$1,070,000. Each unit consisted of one common share and one share purchase warrant, with each warrant exercisable into one additional common share at a price of \$0.20 for a period of two years from closing. The warrants are subject to an accelerated expiry if the common shares of the Company trade on the TSX-V at a price of \$0.40 per unit or more for five consecutive trading days. The accelerated expiry date would be 30 days after the Company provides notice to the holders. The Company incurred share issuance costs of \$14,075.

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

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended September 30, 2023 and 2022

Expressed in Canadian Dollars

(Unaudited – prepared by management)

9. SHARE CAPITAL – continued

b) Issued and outstanding – continued

During the year ended December 31, 2022:

On July 7, 2022, Company closed a non-brokered private placement of 6,000,000 units at a price of \$0.125 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 \$0.25 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 2,000,000 common shares (valued at \$350,000) to the shareholders of LRE and the issuance of 80,000 common shares (valued at \$14,000) to the former vendors of the Maybrun Property.

c) Warrants

A summary of the Company's outstanding and exercisable warrants as at September 30, 2023 and December 31, 2022 are as follows:

	September 30, 2023		December 31, 2022	
	Number of Warrants	Weighted Average Exercise Price \$	Number of Warrants	Weighted Average Exercise Price \$
Balance, beginning of period	3,000,000	0.25	4,920,000	0.25
Issued	10,700,000	0.20	3,000,000	0.25
Expired	-	-	(4,920,000)	0.25
Balance, end of period	13,700,000	0.21	3,000,000	0.25

The following warrants were outstanding and exercisable at September 30, 2023:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price \$	Warrants
July 8, 2024	0.77	0.25	3,000,000
August 23, 2025	1.90	0.20	10,700,000
	1.65	0.21	13,700,000

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Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended September 30, 2023 and 2022

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10. SHARE-BASED PAYMENTS

Options

The Company has a stock option plan (the “Plan”) approved by the Company’s shareholders that allows it to grant share purchase options, subject to regulatory terms and approval, to its officers, directors, employees and service providers for a maximum term of ten years. The Plan is based on the maximum number of eligible shares equalling a rolling percentage of 10% of the Company’s outstanding common shares, calculated from time to time. If outstanding share purchase options are exercised or expire, and/or the number of issued and outstanding common shares of the Company increases, then the share purchase options available to grant under the Plan increase proportionately. 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.

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, 2023 and year ended December 31, 2022:

	September 30, 2023		December 31, 2022	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Balance, beginning of period	-	-	53,000	2.50
Expired	-	-	(53,000)	2.50
Balance, end of period	-	-	-	-

During the year ended December 31, 2022, the Company transferred \$424,250 from reserves to deficit upon the expiry of 53,000 stock options granted to consultants.

11. 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, 2023 and 2022:

	2023		2022	
Short-term compensation				
Accounting fees	\$	27,000	\$	34,000
Consulting fees		80,000		15,000
	\$	107,000	\$	49,000

During the nine months ended September 30, 2023, the Company incurred \$36,000 (2022 - \$4,000) in rent to a company with a common officer.

As at September 30, 2023, the Company has outstanding amounts payable to an officer of the Company of \$3,150 (December 31, 2022 - \$3,150), to an officer and director of the Company of \$15,750 (December 31, 2022 - \$nil) and to a company with a common officer of \$4,200 (December 31, 2022 - \$4,200).

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Notes to the Condensed Consolidated Interim Financial Statements

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11. RELATED PARTY TRANSACTIONS – continued

At September 30, 2023, the Company has an amount payable of \$14,945 to a private company in which an officer and director is a director. The balance was outstanding at December 31, 2022, but the private company was not a related party at the time.

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.

12. SEGMENTED INFORMATION

The Company operates in one business segment, being the exploration and development of resource properties. All assets of the Company are located in Canada.

13. 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.

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.

c) 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.

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

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended September 30, 2023 and 2022

Expressed in Canadian Dollars

(Unaudited – prepared by management)

13. FINANCIAL RISK MANAGEMENT – continued

d) Capital management

Capital is comprised of the Company's shareholders' equity and any debt it may issue. As at September 30, 2023, the Company's shareholders' equity was \$1,812,297 (December 31, 2022 - \$881,972). 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 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.

e) Fair value

The fair values of the Company's financial assets and liabilities approximate their 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, 2023 and December 31, 2022.

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 and loans payable. The fair values of these financial instruments approximate their carrying values due to their short-term nature.