

**CIRRUS GOLD CORP.**

**INTERIM CONDENSED FINANCIAL STATEMENTS**

**MARCH 31, 2022**

(Unaudited)

(Expressed in Canadian Dollars)



**CIRRUS GOLD CORP.****INTERIM CONDENSED STATEMENTS OF STATEMENT OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited)

(Expressed in Canadian Dollars)

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|   | Three Months Ended<br>March 31, 2022 | Three Months Ended<br>March 31, 2021 |
|---|--------------------------------------|--------------------------------------|
| <b>EXPENSES</b>   |                                      |                                      |
| Consulting  | \$ 9,000                             | \$ 7,500                             |
| Investor relations  | 6,265                                | -                                    |
| Office  | 336                                  | 103                                  |
| Professional fees   | 28,242                               | 11,635                               |
| Property investigation                                      | 85,410                               | -                                    |
| Regulatory fees   | 2,840                                | -                                    |
| Rent  | 4,988                                | 1,500                                |
| Share-based compensation (Note 6, 7)                        | <u>-</u>                             | <u>32,020</u>                        |
| <b>Loss and comprehensive loss before income taxes</b>      | (137,081)                            | (52,758)                             |
| Deferred income tax expense recovered                       | <u>-</u>                             | <u>5,088</u>                         |
| <b>Loss and comprehensive loss for the period</b>           | \$ (137,081)                         | \$ (47,670)                          |
| <hr/>   |                                      |                                      |
| <b>Loss per common share</b>                                |                                      |                                      |
| -Basic and diluted  | \$ (0.01)                            | \$ (0.00)                            |
| <hr/>   |                                      |                                      |
| <b>Weighted average number of common shares outstanding</b> |                                      |                                      |
| -Basic and diluted  | 14,483,889                           | 10,706,667                           |

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

**CIRRUS GOLD CORP.**  
**INTERIM CONDENSED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(Expressed in Canadian Dollars)

|   | Three Months<br>Ended March<br>31, 2022 | Three Months<br>Ended March<br>31, 2021 |
|---|---|---|
| <b>CASH FLOWS TO OPERATING ACTIVITIES</b>                       |   |   |
| Loss for the period   | \$ (137,081)                            | \$ (47,670)                             |
| Items not involving cash:                                       |   |   |
| Share-based compensation  | -                                       | 32,020                                  |
| Deferred income tax expense recovered                           | -                                       | (5,088)                                 |
| Changes in non-cash working capital items:                      |   |   |
| Increase in accounts receivable                                 | (1,259)                                 | (995)                                   |
| Increase in prepaids  | (1,499)                                 | -                                       |
| Increase (Decrease) in accounts payable and accrued liabilities | 26,332                                  | (7,963)                                 |
| Net cash used in operating activities                           | <u>(113,507)</u>                        | <u>(29,696)</u>                         |
| <b>CASH FLOWS TO INVESTING ACTIVITY</b>                         |   |   |
| Exploration and evaluation assets                               | <u>(30,394)</u>                         | <u>(50,837)</u>                         |
| Net cash used in investing activity                             | <u>(30,394)</u>                         | <u>(50,837)</u>                         |
| <b>Net decrease in cash during the period</b>                   | <b>(143,901)</b>                        | <b>(80,533)</b>                         |
| <b>Cash, beginning of the period</b>                            | <u>194,657</u>                          | <u>176,256</u>                          |
| <b>Cash, end of the period</b>                                  | <u>\$ 50,756</u>                        | <u>\$ 95,723</u>                        |

Supplemental disclosure with respect to cash flows (Note 8)

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

**CIRRUS GOLD CORP.****INTERIM CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Unaudited)

(Expressed in Canadian Dollars)

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|  | Share Capital       |            | Contributed<br>Surplus | Deficit      | Total      |
|--|---------------------|------------|------------------------|--------------|------------|
|  | Number of<br>shares | Amount     |                        |              |            |
| Balance, December 31, 2020                             | 10,625,000          | \$ 275,350 | \$ 30,000              | \$ (71,948)  | \$ 233,402 |
| Shares issued pursuant to option<br>agreement (Note 4) | 150,000             | 7,500      | -                      | -            | 7,500      |
| Share-based compensation (Note 6, 7)                   | -                   | -          | 32,020                 | -            | 32,020     |
| Loss for the period                                    | -                   | -          | -                      | (47,670)     | (47,670)   |
| Balance, March 31, 2021                                | 10,775,000          | \$ 282,850 | \$ 62,020              | \$ (119,618) | \$ 225,252 |
| Shares issued for cash                                 | 3,500,000           | 350,000    | -                      | -            | 350,000    |
| Share issue costs                                      | -                   | (150,233)  | -                      | -            | (150,233)  |
| Agent warrants   | -                   | (18,311)   | 18,311                 | -            | -          |
| Commission shares                                      | 100,000             | 10,000     | -                      | -            | 10,000     |
| Loss for the period                                    | -                   | -          | -                      | (48,893)     | (48,893)   |
| Balance, December 31, 2021                             | 14,375,000          | \$ 474,306 | \$ 80,331              | \$ (168,511) | \$ 386,126 |
| Shares issued pursuant to option<br>agreement (Note 4) | 200,000             | 60,000     | -                      | -            | 60,000     |
| Loss for the period                                    | -                   | -          | -                      | (137,081)    | (137,081)  |
| Balance, March 31, 2022                                | 14,575,000          | \$ 534,306 | \$ 80,331              | \$ (305,592) | \$ 309,045 |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Cirrus Gold Corp. (the “Company”) was incorporated on February 5, 2020, under the laws of British Columbia. The address of the Company’s corporate office and its principal place of business is 3148 Highland Boulevard, North Vancouver, British Columbia, Canada. To date, the Company has not earned operating revenue.

The Company is in the process of acquiring and exploring exploration and evaluation assets and has not yet determined whether such properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

As at March 31, 2022, the Company has generated negative cash flows from operating activities and has an accumulated deficit of \$305,592. The Company expects to incur further losses in the development of its operations. The Company’s ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing or generating sufficient revenues to cover its operating costs. These factors indicate the existence of material uncertainties that may cast significant doubt as to the Company’s ability to continue as a going concern.

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

In addition, the COVID-19 pandemic has created a dramatic slowdown in the global economy. The duration of the COVID-19 outbreak and the resultant travel restrictions, social distancing, Government response actions, business closures and business disruptions, can all have an impact on the Company’s operations and access to capital. There can be no assurance that the Company will not be further impacted by adverse consequences that may be brought about by the COVID-19 pandemic on global financial markets which may reduce share prices and financial liquidity and thereby severely limit the financing capital available to the Company.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance and basis of presentation

The Board of Directors of the Company approved the condensed interim financial statements on **May 30, 2022**.

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. The condensed interim financial statements do not include all note disclosures required by IFRS for annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2021, which have been prepared in accordance with IFRS as issued by the IASB. In the opinion of management, all adjustments considered necessary for fair presentation of the Company’s financial position, results of operations and cash flows have been included. Operating results for the three-month period ended March 31, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

These condensed interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as held-for-trading, which are stated at their fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting. These condensed interim financial statements are prepared in Canadian dollars.

**Significant accounting judgements, estimates and assumptions**

The preparation of the Company's condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the condensed interim financial statements and reported amounts of revenues and 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. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management judgements, estimates and assumptions include:

- The assessment of whether certain factors (both internal and external) would be considered an indicator of impairment and whether impairment testing is required on the exploration and evaluation assets.
- The determination that the Company will continue as a going concern for the next year.

**3. DEFERRED TRANSACTION COSTS**

The Company has entered into a binding letter agreement (the "LOI") with Pyramid Peak Mining LLC., a wholly-owned subsidiary of Waterton Precious Metals Fund II Cayman LP, ("PPM") and Mason Resources (US) Inc., a wholly owned subsidiary of Hudbay Minerals Inc. ("Hudbay"), whereby Cirrus would acquire from the vendors adjacent mineral property interests located in the state of New Mexico (collectively, the 'Lordsburg property'). The Company has incurred acquisition and financing costs of \$180,645 and were recorded as deferred transaction costs during the period ended March 31, 2022.

**4. EXPLORATION AND EVALUATION ASSETS**

|   | <b>March 31, 2022</b> | <b>December 31, 2021</b> |
|---|-----------------------|--------------------------|
| Balance at the beginning of the period  | \$ 187,713            | \$ 114,101               |
| Acquisition costs:                      |                       |                          |
| Cash                                    | 30,000                | 25,000                   |
| Shares                                  | 60,000                | 7,500                    |
|   | 90,000                | 32,500                   |
| Deferred exploration costs:             |                       |                          |
| Consulting                              | 1,594                 | 25,521                   |
| Assay                                   | -                     | 3,775                    |
| Field                                   | -                     | 11,816                   |
| Total expenditures for the period       | 1,594                 | 41,112                   |
| <b>Balance at the end of the period</b> | <b>\$ 279,307</b>     | <b>\$ 187,713</b>        |

**4. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

**Chuchi South Project**

Pursuant to an option agreement dated February 10, 2020, the Company was granted an option to acquire a 100% undivided interest in the Chuchi South Project (the "Property") in the Omineca Mining Division, British Columbia. To exercise the option the Company must pay \$510,000 in cash, incur \$350,000 in exploration expenditures, reimburse the Optionor for \$20,000 in previous property expenditures (paid) and issue 1,500,000 common shares over a 5-year period as follows:

|   | Option<br>Payments | Exploration<br>Expenditures<br>(** - Actual<br>*** – Future<br>requirement) | Common<br>Shares |
|---|--------------------|---|------------------|
| Within five calendar days of the Effective date, February 13, 2020 (paid) | \$ 5,000           | \$ -  | -                |
| On or before March 15, 2020 (issued)                                      | -                  | -   | 150,000          |
| On or before February 13, 2021 (paid, incurred and issued)                | 25,000             | (**) 64,570   | 150,000          |
| On or before February 13, 2022(paid, incurred* and issued)                | 30,000             | (**) 54,145   | 200,000          |
| On or before February 13, 2023  | 50,000             | (***) 231,285   | 1,000,000        |
| On or before February 13, 2024  | 50,000             | -   | -                |
| On or before February 13, 2025  | 350,000            | -   | -                |
| <b>Total</b>  | <b>\$ 510,000</b>  | <b>\$ 350,000</b>   | <b>1,500,000</b> |

(\*) An aggregate of \$81,285 in deficient exploration expenditures were also added to the current commitment to be completed by February 13, 2023 (\$231,285).

Pursuant to the Option Agreement the optionor will receive a 2.0% Net Smelter Return ("NSR") royalty and the Company has the right at any time to purchase the NSR for \$1,500,000.

On the February 13, 2028 and each subsequent anniversary of the Effective Date, until Commercial Production begins, the Company will pay the optionor an advance royalty payment of \$25,000, where the cumulative advance royalty payments paid will be credited towards any future NSR payments due.

The Company will pay to the optionor \$1,500,000 upon completion of a feasibility study resulting in a positive decision to commence commercial production on the Property.

**5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

|                     | March 31,<br>2022 | December 31,<br>2021 |
|---------------------|-------------------|----------------------|
| Trade payables      | \$ 205,391        | \$ 2,214             |
| Accrued liabilities | 15,000            | 10,000               |
|                     | <b>\$ 220,391</b> | <b>\$ 12,214</b>     |

## 6. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

The Company incurred share-based compensation of \$Nil (2021 - \$27,217) with key management personnel during the period ended March 31, 2022.

## 7. SHARE CAPITAL AND RESERVES

Authorized – Unlimited common shares without par value

During the period ended March 31, 2022, the Company had the following share capital transactions:

- (1) On February 10, 2022, the Company issued 200,000 common shares at a price of \$0.30 per common share for the acquisition of exploration and evaluation assets at a value of \$60,000.

During the year ended December 31, 2021, the Company had the following share capital transactions:

- (2) On February 10, 2021, the Company issued 150,000 common shares at a price of \$0.05 per common share for the acquisition of exploration and evaluation assets at a value of \$7,500.
- (3) On July 26, 2021, the Company completed its Initial Public Offering and issued 3,500,000 common shares at a price of \$0.10 per share for gross proceeds of \$350,000. In connection with the offering, the Company paid the agent a cash finders fees of \$35,000, issued 350,000 agent warrants valued at \$18,311 and paid cash corporate finance fee of \$30,000 and issued 100,000 common shares valued at \$10,000. Each agent warrant is exercisable at an exercise price of \$0.10 per agent warrant to July 26, 2023. Additional share issue costs of \$75,233 were incurred in connection with this financing, and was recorded as an offset to share capital, as share issue costs.

### Escrow Shares

At March 31, 2022, there were 1,500,000 (December 31, 2021 – 1,800,000) shares held in escrow with the Company's registrar and transfer agent. The common shares are subject to timed releases as follows:

- 10% released upon the date of listing on the CSE (listed on July 21, 2021)
- 15% released every six months thereafter until all escrow shares have been released (thirty-six months following the date of listing on the CSE).

### Stock Options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time-to-time, at its discretion grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed a rolling 10% of the Company's issued and outstanding common shares at the time the options are granted. Vesting of stock options is at the discretion of the Board of Directors. Stock options are exercisable for a maximum of 10 years.

CIRRUS GOLD CORP.  
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
March 31, 2022  
(Expressed in Canadian Dollars)

**7. SHARE CAPITAL AND RESERVES (cont'd...)**

As at March 31, 2022, the Company had stock options outstanding enabling the holder to acquire common shares as follows:

| Number of Shares | Exercise Price | Expiry Date      | Weighted Average Life Remaining |
|------------------|----------------|------------------|---------------------------------|
| 1,000,000        | \$0.10         | January 18, 2026 | 3.81                            |

Stock option transactions are summarized as follows:

|  | Number of Options | Weighted Average Exercise Price |
|--|-------------------|---------------------------------|
| As at December 31, 2020                    | -                 | \$ -                            |
| Granted                                    | 1,000,000         | 0.10                            |
| As at December 31, 2021 and March 31, 2022 | 1,000,000         | \$ 0.10                         |

During the period ended March 31, 2022, the Company recognized share-based payments expense of \$Nil (2021 - \$32,020) in connection with the vesting of stock options granted.

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of stock options modified and granted during the period ended as follows:

|                          | December 31, 2021 |
|--------------------------|-------------------|
| Risk-free interest rate  | 0.42%             |
| Expected life of options | 5.00              |
| Annualized volatility    | 100%              |
| Dividend rate            | 0%                |

**Warrants**

The following common shares purchase warrants entitle the holder thereof to purchase one common share for each warrant. Warrant transactions are summarized as follows:

|  | Number of Warrants | Weighted Average Exercise Price |
|--|--------------------|---------------------------------|
| As at December 31, 2020                    | -                  | \$ -                            |
| Granted                                    | 350,000            | 0.10                            |
| As at December 31, 2021 and March 31, 2022 | 350,000            | \$ 0.10                         |

The weighted average remaining contractual life of warrants outstanding as at March 31, 2022 was 1.32 (December 31, 2021 – 1.57) years.

**7. SHARE CAPITAL AND RESERVES (cont'd...)**

Warrants outstanding are as follows:

| Number of Shares | Exercise Price | Expiry Date  |
|------------------|----------------|--------------|
| 350,000          | \$ 0.10        | July 26,2023 |
| 350,000          |                |              |

The weighted average Black-Scholes inputs are as follows:

|                           | December 31, 2021 |
|---------------------------|-------------------|
| Expected life of warrants | 2                 |
| Annualized volatility     | 100%              |
| Dividend rate             | -                 |
| Discount rate             | 0.46%             |

**8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Significant non-cash transactions during the period ended March 31, 2022;

- exploration and evaluation assets expenditures included in accounts payable at March 31, 2022 of \$1,594.

There were no significant transactions during the period ended March 31, 2021

**9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

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 fair value of cash is measured at Level 1 of the fair value hierarchy. The carrying value of accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

**Financial risk factors**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote and has deposited cash in high credit quality financial institutions.

**9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)**

*Liquidity risk*

As of March 31, 2022, the Company had cash balance of \$50,756 to settle current liabilities of \$220,391. The Company is exposed to liquidity risk.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

*Interest rate risk*

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade demand investments issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

*Foreign currency risk*

The Company's expenditures are denominated in Canadian dollars and current exposure to currency risk is minimal.

*Price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's profit or loss due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on profit or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in value may be significant.

**10. CAPITAL MANAGEMENT**

The Company defines the capital that it manages as the aggregate of share capital, contributed surplus and deficit.

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the acquisition and exploration of exploration and evaluation assets. 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 relies on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is enough economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions. There were no changes to the Company's approach to capital management during the period.

## 11. SUBSEQUENT EVENTS

i. The Company has entered into an asset purchase agreement (the “APA”) with Pyramid Peak Mining LLC., a wholly owned subsidiary of Waterton Precious Metals Fund II Cayman LP, (“PPM”) and Mason Resources (US) Inc., a wholly owned subsidiary of Hudbay Minerals Inc. (“Mason”, and collectively with PPM, the “Vendors”), whereby Cirrus would acquire from the vendors adjacent mineral property interests, located in the state of New Mexico (collectively the Lordsburg property) for the following consideration:

- the issuance, to Mason, 9,896,591 common shares of Cirrus and the granting of a 0.50 per cent NSR royalty on all minerals produced from the lands purchased from PPM (except for certain excluded claims subject to pre-existing royalties). Mason will also receive a 1.5 per cent NSR royalty on all minerals produced from the lands purchased from Mason.
- the issuance, to PPM or its designee 8,140,000 common shares of Cirrus, a cash payment of \$2,331,500 and the granting of a 0.50 percent NSR royalty on all minerals produced from the lands purchased from Mason and a 1.5 per cent NSR royalty on all minerals produced from the lands purchased from PPM (except for certain excluded claims subject to pre-existing royalties). Cirrus will also make Milestone Payments by entering into a milestone payment rights agreement with PPM, or a designee of PPM (the “Milestone Agreement”), and pay PPM the transferable right to receive cash (or subject to the terms of the Milestone Agreement, Common Shares) according to the following payment schedule: (i) \$1,000,000 on the date that is 12 months following the date of the Milestone Agreement, (ii) \$1,500,000 on the date that is 24 months following the date of the Milestone Agreement, and (iii) \$2,500,000 on the date that is 36 months following the date of the Milestone Agreement

ii. Name change

In connection with the closing of the APA, Cirrus will change its name to “American Copper Development Corporation” and will apply to trade under the ticker symbol “ACDX”.

iii. Concurrent equity financing

In connection with the APA, Cirrus intends to complete a best-efforts private placement of approximately \$10 million at a price of \$0.25 per subscription receipt, each of which will automatically convert into Common Shares upon completion of certain escrow conditions, most notably the closing of the APA. Additional details concerning the terms of the Concurrent Financing will be provided in a subsequent news release.