

**UMDONI EXPLORATION INC.**  
**(Formerly Penn Capital Inc.)**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the Three Months Ended January 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102 released by the Canadian Securities Administrators, if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the 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.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed consolidated interim financial statements by an entity's auditor.

**UMDONI EXPLORATION INC. (Formerly Penn Capital Inc.)**

Condensed Consolidated Interim Statements of Financial Position

As of January 31, 2023 and October 31, 2022

(Unaudited - Expressed in Canadian Dollars)

	Note	January 31, 2023	October 31, 2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 270,075	\$ 9,905
Receivables		2,894	1,208
Prepaid expenses		714	7,895
		273,683	19,008
<b>Non-Current assets</b>			
Exploration and evaluation assets	3	79,148	79,148
<b>TOTAL ASSETS</b>		<b>\$ 352,831</b>	<b>\$ 98,156</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	4	\$ 28,728	\$ 25,590
Loans payable	5	55,612	58,217
		84,340	83,807
<b>Non-Current liabilities</b>			
Long-term loans payable	5	117,109	112,790
<b>TOTAL LIABILITIES</b>		<b>201,449</b>	<b>196,597</b>
<b>SHAREHOLDERS' EQUITY (DEFICIT)</b>			
Share capital	6	\$ 736,842	\$ 448,009
Contributed surplus		35,960	35,960
Accumulated deficit		(621,420)	(582,410)
<b>TOTAL SHAREHOLDERS' EQUITY (DEFICIT)</b>		<b>151,382</b>	<b>(98,441)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)</b>		<b>\$ 352,831</b>	<b>\$ 98,156</b>

Nature of operations and going concern (Note 1)

**Approved and authorized by the Board on March 30, 2023**

“Jesse Hahn”  
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Jesse Hahn, Director

“Barry Hartley”  
\_\_\_\_\_  
Barry Hartley, Director

**UMDONI EXPLORATION INC. (Formerly Penn Capital Inc.)**

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the Three Months Ended January 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

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	Note	For the three months ended January 31, 2023	For the three months ended January 31, 2022
<b>Expenses</b>			
Office and administration costs		\$ 20	\$ 1,134
Filing and regulatory fees		19,210	2,743
Professional and consulting fees		14,085	20,372
Transfer agent fees		1,376	2,933
Loss before other items		(34,691)	(27,182)
<b>Other item</b>			
Accretion expense	5	(4,318)	-
<b>Net loss and comprehensive loss</b>		<b>\$ (39,010)</b>	<b>\$ (27,182)</b>
<b>Loss per share – basic and diluted</b>		<b>\$ (0.01)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of common shares outstanding</b>		<b>8,023,797</b>	<b>5,969,449</b>

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

**UMDONI EXPLORATION INC. (Formerly Penn Capital Inc.)**

Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency

For the three months ended January 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

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Share Capital						
	Notes	Number of shares	Amount	Contributed Suprlus	Accumulated Deficit	Total Shareholders' Deficiency
<b>Balance at October 31, 2021</b>		<b>5,969,449</b>	<b>\$ 448,009</b>	<b>\$ -</b>	<b>\$ (487,038)</b>	<b>\$ (39,029)</b>
Net loss for the period		-	-	-	(27,182)	(27,182)
<b>Balance at January 31, 2022</b>		<b>5,969,449</b>	<b>\$ 448,009</b>	<b>\$ -</b>	<b>\$ (514,220)</b>	<b>\$ (66,211)</b>
<b>Balance as at October 31, 2022</b>		<b>5,969,449</b>	<b>448,009</b>	<b>35,960</b>	<b>(582,410)</b>	<b>(98,441)</b>
Shares issued, Private placement	6	3,000,000	300,000	-	-	300,000
Share issuance cost	6	-	(11,168)	-	-	(11,168)
Net loss for the period		-	-	-	(39,010)	(39,010)
<b>Balance at January 31, 2023</b>		<b>8,969,449</b>	<b>\$ 736,841</b>	<b>\$ 35,960</b>	<b>\$ (621,420)</b>	<b>\$ 151,382</b>

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**UMDONI EXPLORATION INC. (Formerly Penn Capital Inc.)**

Condensed Consolidated Interim Statements of Cash Flows

For the Three Months Ended January 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

	For the three months ended January 31, 2023	For the three months ended January 31, 2022
<b>Operating activities</b>		
Net loss	\$ (39,010)	\$ (27,182)
Adjustment for non-cash items:		
Accretion expense	4,318	-
Changes in working capital:		
Receivables	(1,686)	171
Prepaid expenses	7,181	(5,017)
Accounts payable and accrued liabilities	3,138	(578)
<b>Net cash flows used in operating activities</b>	<b>(26,058)</b>	<b>(32,606)</b>
<b>Financing activities</b>		
Share issued for cash	300,000	-
Share issuance cost	(11,167)	-
Related party loans	(2,605)	20,625
<b>Net cash flows provided by financing activities</b>	<b>286,228</b>	<b>20,625</b>
Net change in cash	260,170	(11,981)
Cash, beginning	9,905	29,979
<b>Cash, ending</b>	<b>\$ 270,075</b>	<b>\$ 17,998</b>
<b>Supplemental cash flow information</b>		
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

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

# **UMDONI EXPLORATION INC. (Formerly Penn Capital Inc.)**

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended January 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

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## **1. Description of business and nature of operations**

Umdoni Exploration Inc. (the “Company”), formerly known as Penn Capital Inc., was incorporated under the laws of British Columbia on October 15, 2014. The Company’s registered and records office is located at Suite 401 – 750 West Pender Street, Vancouver, BC V6C 2T7.

On August 21, 2020, MJ Bioscience Corp. changed its name to Penn Capital Inc. On March 25, 2022, the Company changed its name to Umdoni Exploration Inc.

On November 29, 2022, the Company closed its initial public offering and listed on the Canadian Securities Exchange. On December 13, 2022, the Company began trading under the trading symbol "UDI".

The Company changed its nature of business from biotechnology/pharmaceutical to exploration and evaluation of resource properties in Canada. 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 their development, and upon future profitable production.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As of January 31, 2023, the Company has not generated any revenues from operations, and has a working capital of \$189,343 (October 31, 2022 – Deficit of \$64,799), an accumulated deficit of \$621,420 (October 31, 2022 - \$582,410) and expects to incur further losses in the development of its business, all of which casts significant doubt about the Company’s ability to continue as a going concern. A number of alternatives including, but not limited to completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due. The condensed consolidated interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from coronavirus (COVID-19). The Company continues to operate its business and move its exploration activity forward at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. The Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows in future periods.

## **2. Significant accounting policies and basis of presentation**

### **Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting under International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The accounting policies and methods of computation applied by the Company in these condensed consolidated interim financial statements are the same as those applied in the Company’s annual audited financial statements as at and for the year ended October 31, 2022.

The condensed consolidated interim financial statements do not include all the information and note disclosures required for full annual financial statements and should be read in conjunction with the Company’s annual audited financial statements as at and for the year ended October 31, 2022.

## UMDONI EXPLORATION INC. (Formerly Penn Capital Inc.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended January 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

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### 2. Basis of presentation (continued)

#### Basis of measurement

These condensed consolidated interim financial statements of the Company have been prepared on a historical cost basis except for certain financial assets measured at fair value. These condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise specified.

#### Consolidation

The condensed interim consolidated financial statements include the accounts of the Company and its controlled entities. Details of controlled entities are as follows:

	Country of incorporation	Percentage owned	
		Janury 31, 2023	October 31, 2022
Hab Capital Corp.	Canada	100%	100%
Kelso Capital Inc.	Canada	100%	100%

#### Significant estimates and assumptions

The preparation of these condensed consolidated interim financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments and the recoverability and measurement of deferred tax assets.

#### Significant judgments

The preparation of these condensed consolidated interim financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgment in preparing the Company's financial statement is the classification of financial instruments and the going concern assumption.

### 3. Exploration and evaluation assets

On February 1, 2021, the Company purchased the Chlore property (the "Property") for \$1,000. The Property is located in the Omineca Mining Division of North-Central British Columbia.

The following is a summary of the Company's exploration and evaluation asset for the period ended January 31, 2023 and year ended October 31, 2022:



## UMDONI EXPLORATION INC. (Formerly Penn Capital Inc.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended January 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

### 3. Exploration and evaluation assets (continued)

	January 31, 2023	October 31, 2022
<b>Property acquisition costs</b>		
Balance, beginning and ending	\$ 1,000	\$ 1,000
<b>Exploration and evaluation costs</b>		
Balance, beginning and ending	\$ 78,148	\$ 78,148
<b>Total exploration and evaluation assets</b>	<b>\$ 79,148</b>	<b>\$ 79,148</b>

### 4. Accounts payable and accrued liabilities

	January 31, 2023	October 31, 2022
Accounts payable	\$ 26,853	\$ 16,200
Accrued liabilities	1,875	9,390
	<b>\$ 28,728</b>	<b>\$ 25,590</b>

### 5. Related party loans and loan payable

The following summarizes loans payable as at January 31, 2023 and October 31, 2022:

	January 31, 2023	October 31, 2022
<b>Loan payable to a related party</b>		
Current	\$ 55,612	\$ 58,217
Non-current	58,555	56,395
<b>Loan payable to a related party</b>	<b>\$ 114,167</b>	<b>\$ 114,612</b>

As at January 31, 2023, the Company was indebted to current directors and officers in the amount of \$114,617 (October 31, 2022 - \$114,612) as related party loans and to a third party in the amount of \$58,555 (October 31, 2022 - \$56,395) as a non-related party loan.

On April 4, 2022, the Company entered debt repayment agreements with two directors of the Company to set a due date with the respect of the repayment of \$139,478 of related party amounts owing. These loans are unsecured and non-interest bearing with a maturity date of April 4, 2024. The loans were accounted for at amortized cost using the effective interest rate method with the effective interest rate of 15% per annum. The loans were recorded at amortized cost of \$103,518, with a contributed surplus of \$35,960 as capital contribution by related parties. The Company recorded accretion expense of \$4,318 on non-current portion of the loans for the period ended January 31, 2023 (October 31, 2022 - \$9,270).

On October 31, 2022, one of the director assigned to a third party the amount of \$56,395 which represents the director's entire portion of the non-current loan principal and accrued accretion, resulting in the company owing \$56,395 to a non-related party.

## UMDONI EXPLORATION INC. (Formerly Penn Capital Inc.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended January 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

### 6. Share capital

#### *Issued Share capital*

There were 8,969,449 common shares issued and outstanding on January 31, 2023 (October 31, 2022 – 5,969,449).

On November 29, 2022, the Company closed a non-brokered private placement by issuing 3,000,000 units at a price of \$0.10 per unit for gross proceeds of \$300,000. Each unit consists of one common share and one common share purchase warrant. The Company uses residual value method, and the total proceeds were all allocated to the common shares. The Company paid \$11,168 of share issuance costs in connection with the share issuance.

#### *Warrants*

On November 29, 2022, as part of the private placement, 3,000,000 warrants were issued. Each warrant entitles the holder to purchase one common share at a price of \$0.12 per common share for a period of five years from the date of the issuance. No fair value was allocated to the share purchase warrants as the Company uses a residual value method for private placement in units.

The following is a summary of warrant transactions and warrants outstanding as at January 31, 2023 and at year ended October 31, 2022:

	Number of Warrants	Weighted Average Exercise Price
Balance, October 31, 2022	-	\$0.00
Additions	3,000,000	\$0.12
Balance, January 31, 2023	3,000,000	\$0.12

The following is a summary of warrants as at January 31, 2023:

Expiry Date	Exercise Price	Number of Warrants	Weighted Average Remaining Contractual Life (Years)
November 29, 2027	\$0.12	3,000,000	4.83

#### *Stock Options*

There were no stock options outstanding as at January 31, 2023, and as at October 31, 2022.

### 7. Capital management

The Company defines its capital as shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration and development of mineral properties. The Board of Directors do 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 properties in which the Company currently has an interest are in the exploration stage. As such, the Company has historically relied on the equity markets to fund its activities. In addition, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will need to raise additional funds. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or 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.

## UMDONI EXPLORATION INC. (Formerly Penn Capital Inc.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended January 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

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### 8. 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, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is summarized as follows:

#### *Credit risk*

The Company's cash is largely held in large Canadian financial institutions. The Company maintains cash deposits with Schedule A financial institution, which from time to time may exceed federally insured limits. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

#### *Liquidity risk*

The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and through short-term borrowing. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

#### *Price risk*

The ability of the Company to explore its mineral properties and the future profitability of the Company are directly related to the market price of precious metals. The Company monitors precious metals prices to determine the appropriate course of action to be taken by the Company.

#### *Interest rate risk*

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The Company does maintain bank accounts which earn interest at variable rates but it does not believe it is currently subject to any significant interest rate risk.

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 Company enters into financial instruments to finance its operations in the normal course of business. The fair values of cash, receivable, accounts payable and current portion of loan payable approximate their carrying values due to the short-term maturity of these instruments. Non-current portion of loans payable has a 24-month terms and was accounted for at amortized cost using the effective interest rate method with the effective interest rate of 15% per annum.

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as at January 31, 2023 as follows:

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	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Cash	\$ 270,075	-	-	\$ 270,075

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## **UMDONI EXPLORATION INC. (Formerly Penn Capital Inc.)**

Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended January 31, 2023 and 2022

(Unaudited - Expressed in Canadian Dollars)

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### **9. Segmented Information**

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral properties in Canada. As the operations comprise a single reporting segment, amounts disclosed also represent segment amounts.