UMDONI EXPLORATION INC.
(Formerly Penn Capital Inc.)

CONSOLIDATED FINANCIAL STATEMENTS
For the years ended October 31, 2022 and 2021

(Expressed in Canadian Dollars)

Adam Kim

UNIT# 168
4300 NORTH FRASER WAY
BURNABY, BC, V5J 5J8

T: **604.318.5465**
F: **778.375.4567**

ADAM SUNG KIM LTD.
CHARTERED PROFESSIONAL ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

To: the Shareholders of
Umdoni Exploration Inc. (formerly Penn Capital Inc.)

Opinion
I have audited the consolidated financial statements of Umdoni Exploration Inc. (formerly Penn Capital Inc.) and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at October 31, 2022 and October 31, 2021, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at October 31, 2022 and October 31, 2021, and its consolidated financial performance and its cash flow for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion
I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated financial statements section of my report. I am independent of the Company in accordance with the ethical requirements that are relevant to my audit of consolidated the consolidated financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Material Uncertainty Related to Going Concern
I draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $95,372 during the year ended October 31, 2022 and, as of that date, the Company had not yet achieved profitable operations, had accumulated losses of $582,410 since its inception, and expects to incur further losses in the development of its business. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. My opinion is not modified in respect of this matter.

Other Information
Management is responsible for the other information. The other information comprises the Management Discussion and Analysis.

My opinion on the consolidated financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I are required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated financial statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated financial statements

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

• Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I are required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
• Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Adam Kim, CPA, CA.

"Adam Sung Kim Ltd."
Chartered Professional Accountant

Unit# 168 – 4300 North Fraser Way
Burnaby, BC, Canada V5J 5J8
February 9, 2023

UMDONI EXPLORATION INC. (Formerly Penn Capital Inc.)
Consolidated Statements of Financial Position
As of October 31, 2022 and 2021
(Expressed in Canadian Dollars)

	Note		October 31, 2022		October 31, 2021
ASSETS					
Current assets					
Cash		$	9,905	$	29,979
Receivables			1,208		948
Prepaid expenses			7,895		-
			19,008		30,927
Non-Current assets					
Exploration and evaluation assets	4		79,148		79,148
TOTAL ASSETS		**$**	**98,156**	**$**	**110,075**
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	5	$	25,590	$	30,251
Loans payable	6		58,217		118,853
			83,807		149,104
Non-Current liabilities					
Long-term loans payable	6		112,790		-
TOTAL LIABILITIES			196,597		149,104
SHAREHOLDERS' DEFICIENCY					
Share capital	7	$	448,009	$	448,009
Contributed surplus			35,960		-
Accumulated deficit			(582,410)		(487,038)
TOTAL SHAREHOLDERS' DEFICIENCY			(98,441)		(39,029)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		**$**	**98,156**	**$**	**110,075**

Nature of operations and going concern (Note 1)
Subsequent events (Note 11)

Approved and authorized by the Board on February 9, 2023

"Jesse Hahn"
Jesse Hahn, Director

"Barry Hartley"
Barry Hartley, Director

(Expressed in Canadian Dollars)

	Note		For the year ended October 31, 2022		For the year ended October 31, 2021
Expenses					
Office and administration costs		$	1,968	$	221
Filing and regulatory fees			3,360		2,885
Professional and consulting fees			75,410		23,023
Transfer agent fees			5,364		651
Loss before other items			(86,102)		(26,780)
Other item					
Accretion expense	6		(9,270)		-
Net loss and comprehensive loss		**$**	**(95,372)**	**$**	**(26,780)**
Loss per share – basic and diluted		**$**	**(0.02)**	**$**	**(0.02)**
Weighted average number of common shares outstanding			**5,969,449**		**1,086,226**

UMDONI EXPLORATION INC. (Formerly Penn Capital Inc.)
Consolidated Statement of Changes in Shareholders' Deficiency
For the years ended October 31, 2022 and 2021
(Expressed in Canadian Dollars)

	Share Capital				
	Number of shares	Amount	Contributed Suprlus	Accumulated Deficit	Total Shareholders' Deficiency
Balance at October 31, 2020	**106,369**	**$ 303,013**	**$ -**	**$ (460,258)**	**$ (157,245)**
Shares issued for debt	5,863,080	146,577	-	-	146,577
Share issuance cost	-	(1,581)	-	-	(1,581)
Net loss for the year	-	-	-	(26,780)	(26,780)
Balance at October 31, 2021	**5,969,449**	**$ 448,009**	**$ -**	**$ (487,038)**	**$ (39,029)**
Capital contribution by related parties	-	-	35,960	-	35,960
Net loss for the year	-	-		(95,372)	(95,372)
Balance at October 31, 2022	**5,969,449**	**$ 448,009**	**$ 35,960**	**$ (582,410)**	**$ (98,441)**

(Expressed in Canadian Dollars)

		For the year ended October 31, 2022		For the year ended October 31, 2021
Operating activities				
Net loss	$	(95,372)	$	(26,780)
Adjustment for non-cash items:				
Accretion expense		9,270		-
Changes in working capital:				
Receivables		(260)		-
Prepaid expenses		(7,895)		-
Accounts payable and accrued labilities		(4,660)		(1,850)
Net cash flows used in operating activities		(98,917)		(28,630)
Financing activities				
Share issuance cost		-		(1,581)
Related party loans		78,843		126,853
Net cash flows provided by financing activities		78,843		125,272
Investing activities				
Exploration and evaluation assets		-		(66,663)
Net cash flows used in investing activities		-		(66,663)
Net change in cash		(20,074)		29,979
Cash, beginning		29,979		-
Cash, ending	**$**	**9,905**	**$**	**29,979**
Supplemental cash flow information				
Cash paid during the year for interest	$	-	$	-
Cash paid during the year for income taxes	$	-	$	-

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.

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 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 October 31, 2022, the Company has not generated any revenues from operations, and has a working capital deficit of $64,799 (October 31, 2021 - $118,177), an accumulated deficit of $582,410 (October 31, 2021 - $487,038) 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 consolidated 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. Basis of presentation

Statement of compliance

The 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 ("IFRIC").

Basis of measurement

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

2. Basis of presentation (continued)

Significant estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the year. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates. The most significant accounts that require estimates as the basis for determining the stated amounts include valuation of share-based payments and recognition of deferred income tax amounts and provision for restoration, rehabilitation and environmental costs.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Economic recoverability and probability of future economic benefits of mineral properties

Management has determined that mineral property costs incurred which were capitalized have future economic benefits and are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geological and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Site decommissioning obligations

The Company recognizes a provision for future abandonment activities in the financial statements equal to the net present value of the estimated future expenditures required to settle the estimated future obligation at the statement of financial position date. The measurement of the decommissioning obligation involves the use of estimates and assumptions including the discount rate, the expected timing of future expenditures and the amount of future abandonment costs. The estimates were made by management and external consultants considering current costs, technology and enacted legislation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

Significant judgments

The preparation of these consolidated 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.

(Expressed in Canadian Dollars)

2. Basis of presentation (continued)

Consolidation

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

		Percentage owned	
	Country of incorporation	October 31, 2022	October 31, 2021
Hab Capital Corp.	Canada	100%	100%
Kelso Capital Inc.	Canada	100%	100%

Subsidiaries are entities controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, only rights which give the Company the current ability to direct the relevant activities of the investee and that the Company has the practical ability to exercise, is considered. Generally, there is a presumption that a majority of voting rights results in control. Consolidation of a subsidiary begins from the date on which control is transferred to the Company and ceases when the Company loses control of the subsidiary.

All intra-group transactions, balances, income and expenses, and unrealized gains or losses on transactions are eliminated in full on consolidation. Its subsidiaries, Hab Capital Corp. and Kelso Capital Inc. were dormant during the years ended October 31, 2022 and October 31, 2021.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below:

Financial Instruments

a) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification under IFRS 9:

Particulars	Classification under IFRS 9
Cash	FVTPL
Receivable	Amortized Cost
Accounts payable and accrued liabilities	Amortized Cost
Loans payable	Amortized Cost

3. Summary of significant accounting policies (continued)

b) Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and are subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in statement of loss and comprehensive loss in the period in which they arise.

Debt investments at FVTOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in statement of loss and comprehensive loss. Other net gains and losses are recognized in other comprehensive income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to statement of loss and comprehensive loss.

Equity investments at FVTOCI
These assets are subsequently measured at fair value. Dividends are recognised as income in statement of loss and comprehensive loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to statement of loss and comprehensive loss.

c) Impairment of financial assets at amortized cost
The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit losses The Company shall recognize in statement of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

d) Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in statement of loss and comprehensive loss.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition are generally recognized in statement of loss and comprehensive loss.

3. Summary of significant accounting policies (continued)

Income taxes

Tax expense comprises of current and deferred tax. Tax is recognized in the statement of comprehensive loss except to the extent it relates to items recognized in other comprehensive loss or directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Share capital

Share capital issued for non-monetary consideration is recorded at an amount based on the fair value of the common shares at the date the shares were granted. All costs related to issuances of share capital are charged against the proceeds from the related share capital.

Exploration and evaluation assets

Exploration and evaluation expenditures are capitalized once the legal right to explore a property has been acquired. Exploration and evaluation assets are recorded at cost less accumulated impairment losses. Direct costs related to the acquisition, exploration and evaluation of exploration and evaluation assets are capitalized until the commercial viability of the asset is established, at which time the capitalized costs are reclassified to mineral properties under development. To the extent that the expenditures are spent to establish ore reserves within the rights to explore, the Company will consider those costs as intangible assets in nature. The depreciation of a capital asset in connection with exploring or evaluating a property of this nature will be included in the cost of the intangible asset.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of the project are deemed to be impaired. As a result, those exploration and evaluation costs, in excess of estimated recoveries, are written off to profit or loss.

Management reviews the facts and circumstances suggesting if the carrying amount of the exploration and evaluation assets exceeds their recoverable amount on a regular basis.

3. Summary of significant accounting policies (continued)

Impairment of long-lived assets

An impairment loss is recognized when the carrying amount of an asset, or its cash generating unit ("CGU"), exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Basic and diluted loss per share calculation

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the periods presented.

Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The increase in the provision due to the passage of time is recognized as interest expense.

As at October 31, 2022, the Company, given the early stage of exploration on its mineral properties, has no reclamation costs and therefore no provision for environmental rehabilitation has been made.

4. 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.

(Expressed in Canadian Dollars)

4. Exploration and evaluation assets (continued)

The following is a summary of the Company's exploration and evaluation asset for the years ended October 31, 2022 and 2021:

		October 31, 2022		October 31, 2021
Property acquisition costs				
Balance, beginning	$	1,000	$	-
Acquisition		-		1,000
Balance, ending	$	1,000	$	1,000
Exploration and evaluation costs				
Balance, beginning	$	78,148	$	-
Reports		-		32,696
Survey		-		43,260
Geological consulting		-		2,192
Balance, ending	$	78,148	$	78,148
Total exploration and evaluation assets	$	79,148	$	79,148

5. Accounts payable and accrued liabilities

		October 31, 2022		October 31, 2021
Accounts payable	$	16,200	$	25,251
Accrued liabilities		9,390		5,000
	$	**25,590**	**$**	**30,251**

6. Related party loans and loan payable

The following summarizes loans payable as at October 31, 2022 and 2021:

		October 31, 2022		October 31, 2021
Loan payable to a related party				
Current	$	58,217	$	118,853
Non-current		56,395		-
Loan payable to a related party	**$**	**114,612**	**$**	**118,853**
Loan payable to a third party - Non-current		56,395		-
Total loans payable	**$**	**171,007**	**$**	**118,853**

As at October 31, 2022, the Company was indebted to former and current directors and officers in the amount of $114,612 (October 31, 2021 - $118,853) as related party loans and to a third party in the amount of $56,395 (October 31, 2021 - $nil) as a non-related party loan. The Company also owed $nil (October 31, 2021 - $4,200) to a company with common director and officer which was included in accounts payable and accrued liabilities as at October 31, 2022. Current amounts due to related parties are unsecured, non-interest bearing and due on demand.

6. Related Party Loans (continued)

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. During the year ended October 31, 2022, the Company recorded accretion expense of $9,270 on non-current portion of the loans (October 31, 2021 - $nil).

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. As at October 31, 2022, the non-current loan owing to a third party is $56,395 (October 31, 2021 - $nil).

During the year ended October 31, 2021, the former and current director and officers of the Company assigned an aggregate amount of $112,000 of related party loans to various creditors.

On August 31, 2021, the Company entered into a share for debt agreement to settle a total of $146,577 in debt due to former and current directors and to various creditors in exchange for 5,863,080 common shares of the Company (Note 7). Included in debt settlements were the following related party settlements for past services and amounts owing:

- 1,000,000 shares issued to settle $25,000 owing to current director and officer of the Company;
- 640,000 shares issued to settle $16,000 owing to creditors related to the current director and officer of the Company;
- 383,080 shares issued to settle $9,577 owing to a former officer of the Company.

7. Share capital

There were 5,969,449 common shares issued and outstanding on October 31, 2022 (October 31, 2021 – 5,969,449).

On August 31, 2021, the Company entered into a share for debt agreement to settle a total of $146,577 in debt due to former and current directors and to various creditors in exchange for 5,863,080 common shares of the Company. The Company paid $1,581 of share issuance costs in connection with the share issuance.

There were no stock options and warrants outstanding as of October 31, 2022, and as at October 31, 2021.

(Expressed in Canadian Dollars)

8. Income taxes

The Company has accumulated non-capital losses. Tax attributes are subject to revision and potential adjustment by tax authorities. A reconciliation of income taxes at statutory rates is as follows:

		October 31, 2022		October 31, 2021
Loss for the year before income taxes	$	(95,372)	$	(26,780)
Expected income tax recovery at 27% (2021 – 27%)		(25,750)		(7,231)
Tax effects of:				
Item not deductible		2,502		-
Ture up of prior year tax losses		(76,248)		-
Current tax attributes not recognized		99,496		7,231
	$	-	$	-

The significant components of the Company's deferred tax assets are as follows:

		October 31, 2022		October 31, 2021
Substantively enacted tax rate		27%		27%
Deferred income tax assets:				
Non-capital losses	$	154,764	$	55,252
Share issuance costs and others		-		16
Less: Unrecognized deferred tax assets		(154,764)		(55,268)
	$	-	$	-

The Company has approximately $573,000 of non-capital losses available, which will expire through to 2042 and may be applied against future taxable income. At October 31, 2022, the net amount which would give rise to a deferred income tax asset has not been recognized as it is not probable that such benefit will be utilized in the future years.

8. 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.

9. 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 October 31, 2022 as follows:

	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash	$ 9,905	-	-	$ 9,905

10. 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.

11. Subsequent events

3,000,000 units which comprises of one common share and one share purchase warrants were issued for gross proceeds of $300,000 on November 29, 2022. The warrants are exercisable at a price of $0.12 with expiry date of November 29, 2027.

The company has fulfilled its requirements to be listed on the Canadian Securities Exchange and commenced trading on December 13, 2022 under stock symbol “UDI”.