



Condensed Interim Financial Statements

For the nine months ended April 30, 2023

The accompanying unaudited condensed interim financial statements of Eagle Bay Resources Corp. for the nine months ended April 30, 2023 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These condensed interim financial statements have not been reviewed by the Company's external auditors.

(Unaudited - Expressed in Canadian Dollars)

Eagle Bay Resources Corp.

Condensed Interim Statements of Financial Position

As expressed in Canadian dollars

(Unaudited – prepared by management)

| | April 30, 2023 | July 31, 2022 |
|--|---------------------|---------------------|
| Assets | | |
| Current | | |
| Cash | \$ 319,902 | \$ 493,579 |
| GST | 8,229 | 4,694 |
| | 328,131 | 498,273 |
| Exploration and evaluation assets (Note 5) | 976,093 | 968,454 |
| | \$ 1,304,224 | \$ 1,466,727 |
| Liabilities | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 47,204 | \$ 22,186 |
| Due to related parties (Note 8) | 178,101 | 121,362 |
| | 225,305 | 143,548 |
| Shareholders' Equity | | |
| Share capital (Note 6) | 2,036,751 | 1,981,326 |
| Reserves (Note 6) | 2,844 | 2,844 |
| Deficit | (960,676) | (660,991) |
| | 1,078,919 | 1,323,179 |
| | \$ 1,304,224 | \$ 1,466,727 |

Nature and continuation of operations (Note 1)

*"David Hodge"*_____
Director*"Jody Dahrouge"*_____
Director

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

Eagle Bay Resources Corp.

Condensed Interim Statements of Operations and Comprehensive Loss

As expressed in Canadian dollars

(Unaudited – prepared by management)

| | Three Months Ended April 30, | | Nine Months Ended April 30, | |
|---|---|-------------------|--|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Expenses | | | | |
| Administrative fees (Note 8) | \$ 37,500 | \$ 37,500 | \$ 112,500 | \$ 140,889 |
| Advertising and travel expenses (Note 8) | 2,987 | 967 | 20,960 | 64,877 |
| Consulting fees and salaries | 900 | - | 3,900 | - |
| Depreciation expense | - | - | - | 566 |
| Legal fees | 43,833 | 9,029 | 135,301 | 18,000 |
| Office and miscellaneous | 542 | 17 | 549 | 115 |
| Transfer agent and filing fees | 16,785 | - | 26,475 | - |
| | 102,547 | 47,513 | 299,685 | 224,447 |
| Other Items | | | | |
| Loss on disposal of equipment | - | - | - | (1,384) |
| | - | - | - | (1,384) |
| Net Loss and Comprehensive Loss for the Period | 102,547 | 47,513 | 299,685 | 225,831 |
| Basic and Diluted Loss Per Share | \$ 0.00 | \$ 0.00 | \$ 0.01 | \$ 0.00 |
| Weighted Average Number of Common Shares Outstanding – Basic and Diluted | 52,854,526 | 48,883,932 | 52,494,526 | 48,585,397 |

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

Eagle Bay Resources Corp.

Condensed Interim Statements of Changes in Equity

For the nine months ended April 30, 2023 and 2022

As expressed in Canadian dollars

(Unaudited – prepared by management)

| | Number of Shares | Share Capital | Reserves | Shares Subscribed | Deficit | Total |
|---|---------------------|---------------------|-----------------|----------------------|---------------------|---------------------|
| Balance, July 31, 2021 | 42,299,999 | \$ 1,272,856 | \$ - | \$ 75,625 | \$ (373,973) | \$ 974,508 |
| Shares issued for property (Note 5 & 6) | 500,000 | 37,500 | - | - | - | 37,500 |
| Private placement (Note 6) | 6,083,933 | 456,295 | - | (75,625) | - | 380,670 |
| Share issuance costs | - | (6,483) | 1,400 | - | - | (5,083) |
| Share subscriptions received | - | - | - | 53,834 | - | 53,834 |
| Net loss for the period | - | - | - | - | (225,831) | (225,831) |
| Balance, April 30, 2022 | 48,883,932 | \$ 1,760,168 | \$ 1,400 | \$ 53,834 | \$ (599,804) | \$ 1,215,598 |
| | Number of Shares | Share Capital | Reserves | Shares Subscribed | Deficit | Total |
| Balance, July 31, 2022 | 52,254,526 | \$ 1,981,326 | \$ 2,844 | \$ - | \$ (660,991) | \$ 1,323,179 |
| Flow through private placement (Note 6) | 600,000 | 60,000 | - | - | - | 60,000 |
| Share issuance costs | - | (4,575) | - | - | - | (4,575) |
| Net loss for the period | - | - | - | - | (299,685) | (299,685) |
| Balance, April 30, 2023 | 52,854,526 | \$ 2,036,751 | \$ 2,844 | \$ - | \$ (960,676) | \$ 1,078,919 |

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

Eagle Bay Resources Corp.

Condensed Interim Statements of Cash Flows

For the nine months ended April 30, 2023 and 2022

As expressed in Canadian dollars

(Unaudited – prepared by management)

| | 2023 | 2022 |
|--|-------------------|-------------------|
| CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES: | | |
| Net loss for the period: | \$ (299,685) | \$ (225,831) |
| Add items not affecting cash: | | |
| Depreciation | - | 566 |
| Loss on disposal of equipment | - | 1,384 |
| Changes in non-cash working capital items related to operations: | | |
| GST | (3,535) | 14,523 |
| Prepaid expenses | - | 119,880 |
| Due to related parties | 56,739 | 74,471 |
| Accounts payable and accrued liabilities | 25,018 | (2,348) |
| Net cash flows (used in) operating activities | (221,463) | (17,355) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Issuance of common shares | 60,000 | 456,295 |
| Share issuance costs | (4,575) | (5,083) |
| Share subscriptions received | - | (21,791) |
| Net cash flows from financing activities | 55,425 | 429,421 |
| CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES: | | |
| Proceeds from sale of claims | 26,649 | - |
| Exploration and evaluation expenditures | (34,288) | (207,086) |
| Net cash flows (used in) investing activities | (7,639) | (207,086) |
| Increase (decrease) in cash | (173,677) | 204,980 |
| Cash, beginning of period | 493,579 | 200,581 |
| Cash, end of period | \$ 319,902 | \$ 405,561 |

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

Eagle Bay Resources Corp.

Notes to the Condensed Interim Financial Statements

For the nine months ended April 30, 2023

Expressed in Canadian dollars

(Unaudited – prepared by management)

1. NATURE AND CONTINUATION OF OPERATIONS

Eagle Bay Resources Corp. (“Eagle Bay” or the “Company”) was incorporated on August 2, 2018, under the Company Act of British Columbia and is in the business of acquiring, exploring, developing and evaluating mineral resource properties. The Company is in the exploration stage and has interests in properties located in British Columbia (“BC”), Canada. The head office, principal address and registered and records office of the Company are located at 1450 – 789 West Pender, Vancouver, BC, Canada, V6C 1H2. On March 15, 2023, the Company’s shares were listed on the Canadian Securities Exchange (“CSE”) under the trading symbol “EBR”.

These financial statements were authorized for issue by the Audit Committee and Board of Directors on June 26, 2023.

The Company has no source of operating cash flows, has not yet achieved profitable operations, has working capital of \$102,826 at April 30, 2023 (July 31, 2022: \$354,725), has accumulated losses since its inception, expects to incur further losses in the development of its business, and has no assurance that sufficient funding will be available to conduct further exploration of its mineral properties. These material uncertainties cast significant doubt about the Company’s ability to continue as a going concern. In recognition of these circumstances, management is pursuing various financial alternatives to fund the Company’s exploration and development programs. There is no assurance that these initiatives will be successful.

In the future, the Company may raise additional financing through the issuance of share capital or shareholder loans; however, there can be no assurance that it will be successful in its efforts to do so and that the terms will be favourable to the Company. These financial statements do not include any adjustments to the carrying values of assets and liabilities, the reported expenses and statement of financial position classifications that might be necessary should the Company be unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Management is actively seeking to raise the necessary capital to meet its funding requirements and has undertaken available cost-cutting measures. There can be no assurance that management’s plan will be successful. If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and maintain its mineral interests.

2. BASIS OF PRESENTATION

Statement of Compliance

These statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), applicable to the presentation of interim financial statements, including IAS 34, Interim Financial Reporting (“IAS 34”).

Basis of Measurement

These financial statements have been prepared on a historical costs basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, this financial statement has been prepared using the accrual basis of accounting.

Eagle Bay Resources Corp.

Notes to the Condensed Interim Financial Statements

For the nine months ended April 30, 2023

Expressed in Canadian dollars

(Unaudited – prepared by management)

2. BASIS OF PRESENTATION - continued

Basis of Measurement - continued

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Estimates and assumptions

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

- The recoverability of the carrying value of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest;
- The inputs used in assessing the recoverability of deferred income tax assets to the extent that the deductible temporary differences will reverse in the foreseeable future and that the Company will have future taxable income; and
- Management's assumption that there are currently no decommissioning liabilities is based on the facts and circumstances that have existed during the periods.

Judgments

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

- Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs
Management has determined that exploratory drilling, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic information, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.
- Provisions for reclamation
Management assesses its provision for reclamation on an annual basis or when new information becomes available. This assessment includes the estimation of the future rehabilitation costs, the timing of these expenditures, and the impact of changes in discount rates. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.
- Going concern
The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its exploration projects and working capital requirements.

Eagle Bay Resources Corp.

Notes to the Condensed Interim Financial Statements

For the nine months ended April 30, 2023

Expressed in Canadian dollars

(Unaudited – prepared by management)

4. SIGNIFICANT ACCOUNTING POLICIES

The policies applied in these condensed interim financial statements are consistent with policies disclosed in Note 4 of the audited financial statements for the period ended July 31, 2022. Therefore, these condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the period ended July 31, 2022.

5. EXPLORATION AND EVALUATION ASSETS

The Company has reorganized and consolidated its mineral properties for more effective exploration and management. The two claim groups are distinct though on trend with the regional geology, in general the Rocky Mountain Rare Metal Belt.

The two groups are the Carbo and Cap properties, (Carbo property now encompasses formerly referenced Gambier Gold Property, Wicheeda Property and Prince Property). These claims cover over 25 kilometers of sedimentary and related alkaline intrusive rocks that are favorable hosts to rare-earth and niobium carbonatite deposits. Both properties had seen early-stage diamond drilling, airborne magnetic and radio metric surveys with soil geochemistry and geological mapping between 2009 and 2011. Both properties are approximately 60-80 km from Prince George a major regional center and are accessible by resource and logging roads.

| | | CAP Claims | | Gambier Gold Property | | Prince Property | | Wicheeda Property | | Total property costs |
|------------------------------|----|---------------|----|--------------------------|----|--------------------|----|----------------------|----|-------------------------|
| Balance, December 31, 2021 | \$ | 645,454 | \$ | 150,000 | \$ | 30,234 | \$ | - | \$ | 825,688 |
| Acquisition costs – shares | | - | | - | | 37,500 | | 60,000 | | 97,500 |
| Staking costs | | 9,333 | | - | | 12,001 | | - | | 21,334 |
| Reports and other | | 23,932 | | - | | - | | - | | 23,932 |
| Balance, July 31, 2022 | \$ | 678,719 | \$ | 150,000 | \$ | 79,735 | \$ | 60,000 | \$ | 968,454 |
| Staking costs | | 1,250 | | - | | 19,782 | | 3,548 | | 24,580 |
| Geological costs | | 5,000 | | - | | - | | - | | 5,000 |
| Reports and other | | 12,984 | | - | | - | | 433 | | 13,417 |
| Proceeds from sale of claims | | - | | - | | (26,649) | | - | | (26,649) |
| Balance, April 30, 2023 | \$ | 697,953 | \$ | 150,000 | \$ | 72,868 | \$ | 63,981 | \$ | 976,093 |

Cap Property Claims

On February 11, 2019, the Company entered into an agreement with Arctic Star Exploration Corp. ("Arctic"), whereby the Company acquired a 100% interest in and to 21 claims, known as the CAP Claims, located approximately 85 km northeast of Prince George, British Columbia. To acquire the property, the Company issued 17,000,000 shares at a deemed value of \$640,356. At the time of the acquisition, Eagle Bay did not have any assets or liabilities. During the seven months ended July 31, 2022, the Company staked 3 claims contiguous to the CAP Claims. As at January 31, 2023, the CAP Claims consists of 9 claims

As at April 30, 2023, the Cap property consists of 6 claims of 2,824.34 hectares. (July 31, 2022 – 9 claims).

Eagle Bay Resources Corp.

Notes to the Condensed Interim Financial Statements

For the nine months ended April 30, 2023

Expressed in Canadian dollars

(Unaudited – prepared by management)

5. EXPLORATION AND EVALUATION ASSETS - continued

Carbo Property Claims (Formerly referenced as Gambier Gold Property, Wicheeda Property and Prince Property)

The Company has reorganized consolidated the following mineral properties for more effective exploration and management under the Carbo property, which consists of 22 claims of 3,436.72 hectares as at April 30, 2023.

Gambier Gold Property

On September 21, 2021, the Company entered into an agreement with Gambier Gold Corp. (“Gambier”), whereby the Company acquired a 100% interest in and to 6 claims, known as the Gambier Gold Property, located north of the Company’s existing CAP Claims and adjacent to the Prince Property located approximately 85 km northeast of Prince George British Columbia by paying \$150,000 (paid).

Wicheeda Property

On July 29, 2022, the Company entered into an agreement with Zimtu Capital Corp. (“Zimtu”), a related party (see Note 8), whereby the Company earned a 100% interest in and to 4 claims, known as the Wicheeda Property, located immediately north of the Company’s existing CAP Claims and adjacent to the Prince Property located approximately 85 km northeast of Prince George British Columbia. In consideration, the Company issued 800,000 common shares with a fair value of \$60,000.

During the seven months ended July 31, 2022, the Company staked an additional claim contiguous to the Wicheeda Property.

Prince Property

On October 13, 2021, the Company entered into an agreement with two vendors, whereby the Company acquired a 100% interest in and to 13 claims, known as the Prince Property, located immediately north of the Company’s existing CAP Claims and adjacent to the Wicheeda Property located approximately 85 km northeast of Prince George, British Columbia. In consideration, the Company paid \$20,000 in cash and issued 500,000 shares with a fair value of \$37,500.

On December 2, 2022, the Company entered into a property purchase agreement with Marvel Discovery Corp. (“Marvel”), whereby the Company has agreed to sell four claims comprising of the Prince Property to Marvel for cash consideration of \$26,649 (received).

The Carbo property directly adjoins the Wicheeda rare earth deposit currently being developed by Defense Metals Corp. Defense has recently completed a Phase II hydrometallurgical pilot plant test work for Wicheeda and has commenced work on a Pre-Feasibility Study. The mineral resource estimate at Wicheeda is 4,890,000 tonnes averaging 3.02 % LREO indicated and 12,100,000 tonnes of 2.90% LREO. (Apex 2020).

The Carbo property which consists of 22 claims of 3,436.72 hectares as at April 30, 2023.

Eagle Bay Resources Corp.

Notes to the Condensed Interim Financial Statements

For the nine months ended April 30, 2023

Expressed in Canadian dollars

(Unaudited – prepared by management)

6. SHARE CAPITAL

- a) Authorized: Unlimited common shares with no par value.
- b) Issued and outstanding: The total issued and outstanding shares of the Company total 52,854,526 as at April 30, 2023 (July 31, 2022: 52,254,526).

During the nine months ended April 30, 2023:

- i. On December 5, 2022, the Company issued 600,000 units at a price of \$0.10 for gross proceeds of \$60,000. Each unit is comprised of one flow-through common share and one share purchase warrant priced at \$0.15 for the first 6 months and \$0.20 for the last 6 months, expiring one year from date of issuance.

During the seven months ended July 31, 2022:

- i. On January 10, 2022, the Company issued 500,000 common shares with a fair value of \$37,500 (\$0.075 per share) in connection with the Prince Property transaction (see Note 5).
- ii. On July 22, 2022, the Company issued 186,000 units at a price of \$0.075 for gross proceeds of \$13,950. Each unit was comprised of one common share and one share purchase warrant priced at \$0.10 for the first 6 months and \$0.15 for the last 6 months, expiring one year from date of issuance. In connection with the offering, the Company issued 200,000 compensation units, consisting of one common share and one share purchase warrant with the same terms as the warrants issued to investors.
- iii. On July 27, 2022, the Company issued 2,184,594 units at a price of \$0.075 for gross proceeds of \$163,845. Each unit was comprised of one common share and one share purchase warrant priced at \$0.10 for the first 6 months and \$0.15 for the last 6 months, expiring one year from date of issuance. In connection with the financing, \$4,725 broker commissions were paid and 63,000 broker warrants were issued with the same terms as the share purchase warrants.
- iv. On July 29, 2022, the Company issued 800,000 common shares with a fair value of \$60,000 (\$0.075 per share) in connection with the Wicheeda Property transaction (see Note 5 and 8).
- c) Share purchase warrants / finders' warrants

The following is a summary of warrant transactions for the nine months ended April 30, 2023, and the seven months ended July 31, 2022:

| | April 30, 2023 | | July 31, 2022 | |
|------------------------------|--------------------|---------------------------------|--------------------|-------------------------------------|
| | Number of Warrants | Weighted Average Exercise Price | Number of Warrants | Weighted Average Exercise Price (1) |
| Balance, beginning of period | 8,782,627 | \$ 0.14 | 6,149,033 | \$ 0.10 |
| Expired | (6,149,033) | 0.15 | - | - |
| Granted | - | - | 2,633,594 | 0.10 |
| Balance, end of period | 2,633,594 | \$ 0.15 | 8,782,627 | \$ 0.14 |

On December 13, 2022, 6,083,933 warrants and 65,100 finder's warrants expired unexercised.

Eagle Bay Resources Corp.

Notes to the Condensed Interim Financial Statements

For the nine months ended April 30, 2023

Expressed in Canadian dollars

(Unaudited – prepared by management)

6. SHARE CAPITAL – continued

c) Share purchase warrants / finders' warrants - continued

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

| Expiry Date | Exercise Price | Number of Warrants | Contractual Life (Years) |
|-----------------------------------|----------------|--------------------|--------------------------|
| July 22, 2023 | \$0.15 | 186,000 | 0.23 |
| July 22, 2023** | \$0.15 | 200,000 | 0.23 |
| July 27, 2023 | \$0.15 | 2,184,594 | 0.24 |
| July 27, 2023*** | \$0.15 | 63,000 | 0.24 |
| Total Outstanding and exercisable | | 2,633,594 | |

**Compensation warrants

***Finders' warrants

The following assumptions were used for the Black-Scholes pricing model calculations for the finder's warrants:

| | July 27, 2022 |
|---------------------------------|---------------|
| Risk-free interest rate | 3.09% |
| Expected stock price volatility | 100% |
| Expected option life in years | 1 year |
| Dividend rate | Nil |

7. SHARE-BASED PAYMENTS

The Company has a 20% rolling stock option plan for officers, directors, employees and consultants. Options are granted with an exercise price determined by the Board of Directors, which may not be less than 25% of the Company's stock price on the date of the grant. Options granted to directors, employees and consultants other than consultants engaged in investor relations activities will vest immediately. However, for options granted to employees and consultants engaged in investor relations activities will vest in stages over a minimum period of 12 months with no more than one-quarter of the options vesting in any three-month period. As at April 30, 2023, the Company has not granted any stock options (July 31, 2022 – nil).

8. RELATED PARTY TRANSACTIONS

Zimtu Capital Corp. ("Zimtu") is a company with common directors and management. Zimtu provides key management services to the Company and holds 40% of the Company's issued and outstanding shares. On December 1, 2022, the Company entered into a twelve-month Management Services Agreement ("MSA") with Zimtu. Under the terms of the MSA, Zimtu provided the Company with administrative and managerial services, including corporate maintenance, continuous disclosure services, rent, and administrative services, at a rate of \$12,500 per month for a period of 12 months

Dahrouge Geological Consulting Ltd. ("Dahrouge") is a company with common directors and management. Dahrouge provides key mineral property management services to the Company.

Mr. Michael Schuss is a director of the Company and provides geological consulting services to the Company.

Eagle Bay Resources Corp.

Notes to the Condensed Interim Financial Statements

For the nine months ended April 30, 2023

Expressed in Canadian dollars

(Unaudited – prepared by management)

8. RELATED PARTY TRANSACTIONS - continued

During the nine months ended April 30, 2023 and 2022, the Company incurred the following transactions with officers or directors of the Company or companies with common directors:

| Nine months ended April 30, | 2023 | 2022 |
|--|---------|---------|
| Key management compensation* | \$ | \$ |
| Dahrouge – Exploration & evaluation asset expenditures | 7,974 | 17,106 |
| Michael Schuss – Geological consulting fees | 5,000 | - |
| Zimtu - Administrative fees | 112,500 | 140,889 |
| Zimtu - Advertising and promotion | 12,500 | 62,500 |
| Total | 137,974 | 220,495 |

* Key management includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including the Company's executive officers and certain members of its Board of Directors.

As at April 30, 2023, there was \$171,946 (July 31, 2022: \$112,049) due to Zimtu and \$4,155 (July 31, 2022: \$9,313) due to Dahrouge.

The terms and conditions of these transactions with key management and their related parties were no more favourable than those available, or which might reasonably be expected to be available, or similar transactions to non-key management related entities on an arm's length basis.

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

9. FINANCIAL INSTRUMENTS

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies as set out herein:

a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is subject to credit risk for a maximum of the amounts shown on the statements of financial position.

At April 30, 2023, the Company held cash of \$319,902 (July 31, 2022: \$493,579) with Canadian chartered banks.

Eagle Bay Resources Corp.

Notes to the Condensed Interim Financial Statements

For the nine months ended April 30, 2023

Expressed in Canadian dollars

(Unaudited – prepared by management)

9. FINANCIAL INSTRUMENTS - continued

b) Liquidity Risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

As at April 30, 2023, the Company has total current liabilities of \$225,305 (July 31, 2022: \$143,548). Management intends to meet these obligations by raising funds through future financings.

c) Market Risk

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

i) *Currency Risk*

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is in the exploration stage and has not yet developed commercial mineral interests, the underlying commodity price for minerals is impacted by changes in the exchange rate between the Canadian and United States dollar. As all of the Company's transactions are denominated in Canadian dollars, the Company is not significantly exposed to foreign currency exchange risk at this time.

ii) *Commodity Price Risk*

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. As the Company has not yet developed commercial mineral interests, it is not exposed to commodity price risk at this time.

iii) *Interest Rate Risk*

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates.

d) Fair Value

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.

Eagle Bay Resources Corp.

Notes to the Condensed Interim Financial Statements

For the nine months ended April 30, 2023

Expressed in Canadian dollars

(Unaudited – prepared by management)

9. FINANCIAL INSTRUMENTS - continued

e) Capital Management

Capital is comprised of the Company's shareholders' equity and any debt it may issue. As at April 30, 2023, the Company's shareholders' equity was \$1,078,919 (July 31, 2022: \$1,323,179). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the exploration of its mineral properties. Therefore, the Company monitors the level of risk incurred in its mineral property expenditures relative to its capital structure which is comprised of working capital and shareholders' equity.

The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to facilitate the management of capital and the exploration of its mineral properties, the Company prepares annual expenditure budgets which are updated as necessary and are reviewed and periodically approved by the Company's Board of Directors. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of mineral properties. The Company is not subject to any externally imposed capital requirements and there were no changes in the Company's approach to capital management during the year.