



**Consolidated Financial Statements**

For the years ended June 30, 2022 and 2021

(Expressed in Canadian Dollars)

*Audit. Tax. Advisory.*

## **Independent Auditor's Report**

To the Shareholders of High Tide Resources Corp.

### **Opinion**

We have audited the consolidated financial statements of High Tide Resources Corp. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2022 and 2021, and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2022 and 2021 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### **Basis for opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Material uncertainty related to going concern**

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended June 30, 2022 and, as of that date, the Company has an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Other information**

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our 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 our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We 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 IFRS, 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 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**

Our 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 our 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 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, we exercise professional judgement and maintain professional skepticism throughout the audit. We 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 our opinion. The risks 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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.

We 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 we identify during our audit.

We also provide those charged with governance with a statement that we 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 our independence, and where applicable, related safeguards.

The engagement partner of the audit resulting in this independent auditor's report Jessica Glendinning.

**McGovern Hurley LLP**



**Chartered Professional Accountants  
Licensed Public Accountants**

Toronto, Ontario  
October 27, 2022

# TABLE OF CONTENTS

	<u>Page</u>
Consolidated Statements of Financial Position	1
Consolidated Statements of Operations and Comprehensive Loss	2
Consolidated Statements of Change in Shareholders' Equity	3
Consolidated Statements of Cash Flows	4
Notes to the Consolidated Financial Statements	5 - 27

# HIGH TIDE RESOURCES CORP.

## Consolidated Statements of Financial Position

As at June 30, 2022 and 2021

(Expressed in Canadian Dollars)

	2022	2021
	\$	\$
<b>Assets</b>		
Current		
Cash and cash equivalents	1,176,596	2,351,249
Amounts receivable and prepaids	508,307	128,687
<b>Total assets</b>	<b>1,684,903</b>	<b>2,479,936</b>
<b>Liabilities</b>		
Current		
Trade payables and accrued liabilities (Note 8)	968,290	43,700
Due to related company (Note 8)	91,486	152,906
<b>Total liabilities</b>	<b>1,059,776</b>	<b>196,606</b>
<b>Shareholders' Equity</b>		
Share capital (Note 5(b))	7,070,932	4,570,321
Warrants (Note 6)	312,547	59,774
Contributed surplus (Note 5(c))	66,448	-
Deficit	(6,824,800)	(2,346,765)
<b>Total equity</b>	<b>625,127</b>	<b>2,283,330</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,684,903</b>	<b>2,479,936</b>

**DESCRIPTION OF BUSINESS AND GOING CONCERN** (Note 1)

**COMMITMENTS AND CONTINGENCIES** (Note 12)

**SUBSEQUENT EVENT** (Note 13)

APPROVED BY THE BOARD OF DIRECTORS

Original signed by Stephen Altmann, Director

Original signed by Steve Roebuck, Director

See accompanying notes to the consolidated financial statements

# HIGH TIDE RESOURCES CORP.

## Consolidated Statements of Operations and Comprehensive Loss

For the years ended June 30, 2022 and 2021

(Expressed in Canadian Dollars)

	2022	2021
	\$	\$
<b>Operating Expenses</b>		
Exploration and evaluation expenditures (Note 10)	3,805,802	775,510
General and administrative (Note 9)	615,320	151,548
Share-based compensation	66,448	-
<b>Net loss before other income</b>	<b>4,487,570</b>	927,058
Interest income	(9,535)	-
<b>Net loss and comprehensive loss for the year</b>	<b>4,478,035</b>	927,058
Net loss per share - basic and diluted (Note 7)	0.08	0.03
Weighted average number of shares outstanding - basic and diluted (Note 7)	57,975,776	33,344,459

See accompanying notes to the consolidated financial statements

**HIGH TIDE RESOURCES CORP.****Consolidated Statements of Change in Shareholders' Equity**

For the years ended June 30, 2022 and 2021

(Expressed in Canadian Dollars)

	Number of shares	Share capital	Warrants	Contributed surplus	Deficit	Total Equity
		\$	\$	\$	\$	\$
<b>Balance - June 30, 2020</b>	<b>32,066,666</b>	<b>2,207,670</b>	-	-	<b>(1,419,707)</b>	<b>787,963</b>
Net loss and comprehensive loss for the year	-	-	-	-	(927,058)	(927,058)
Shares issued for cash - private placement (Note 5(b))	14,648,675	2,487,012	-	-	-	2,487,012
Share issuance costs	-	(64,587)	-	-	-	(64,587)
Value of warrants issued under private placement	-	(59,774)	59,774	-	-	-
<b>Balance - June 30, 2021</b>	<b>46,715,341</b>	<b>4,570,321</b>	<b>59,774</b>	-	<b>(2,346,765)</b>	<b>2,283,330</b>
Net loss and comprehensive loss for the year	-	-	-	-	(4,478,035)	(4,478,035)
Share-based compensation	-	-	-	66,448	-	66,448
Shares issued for property acquisition (Note 5(b) and 10)	14,077,507	1,669,801	-	-	-	1,669,801
Units issued in exchange for subscription receipts (Note 5(b))	7,332,060	1,099,809	-	-	-	1,099,809
Value of warrants issued in exchange for subscription receipts	-	(242,635)	242,635	-	-	-
Share issuance costs	-	(16,226)	-	-	-	(16,226)
Value of broker warrants issued in subscription receipt financing	-	(10,138)	10,138	-	-	-
<b>Balance - June 30, 2022</b>	<b>68,124,908</b>	<b>7,070,932</b>	<b>312,547</b>	<b>66,448</b>	<b>(6,824,800)</b>	<b>625,127</b>

See accompanying notes to the consolidated financial statements



# HIGH TIDE RESOURCES CORP.

## Consolidated Statements of Cash Flows

For the years ended June 30, 2022 and 2021

(Expressed in Canadian Dollars)

	2022	2021
	\$	\$
<b>Operating activities</b>		
Net loss for the year	(4,478,035)	(927,058)
Items not involving cash:		
Shares issued for property acquisition - Labrador West (Note 5(b))	1,611,301	-
Shares issued for property acquisition - Lac Pegma (Note 5(b))	58,500	-
Share-based compensation	66,448	-
	<b>(2,741,786)</b>	<b>(927,058)</b>
Changes in non-cash working capital		
Increase in amounts receivable and prepaids	(379,620)	(79,642)
Increase in trade payables and accrued liabilities	924,590	42,490
Change in non-cash operating working capital	544,970	(37,152)
Net cash flows used in operating activities	<b>(2,196,816)</b>	<b>(964,210)</b>
<b>Financing activities</b>		
Proceeds from issuance of shares (Note 5(b))	1,099,809	2,487,012
Share issuance costs	(16,226)	(64,587)
Due to related company	(61,420)	291,679
Net cash flows from financing activities	<b>1,022,163</b>	<b>2,714,104</b>
(Decrease) increase in cash and cash equivalents	<b>(1,174,653)</b>	<b>1,749,894</b>
Cash, beginning of year	<b>2,351,249</b>	<b>601,355</b>
<b>Cash and cash equivalents, end of year</b>	<b>1,176,596</b>	<b>2,351,249</b>

### Cash and cash equivalents are comprised of:

Cash	276,596	2,351,249
Cash equivalents	900,000	-
Total	<b>1,176,596</b>	<b>2,351,249</b>

### Supplemental information

Issuance of broker warrants	10,138	-
-----------------------------	--------	---

See accompanying notes to the consolidated financial statements

**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2022 and 2021**  
**(Expressed in Canadian Dollars)**

---

**1. DESCRIPTION OF BUSINESS AND GOING CONCERN**

High Tide Resources Corp. (“High Tide” or the “Company”) was incorporated by Certificate of Incorporation issued pursuant to the provisions of the *Ontario Business Corporations Act* on October 18, 2018. The registered head office of the Company is located at 18 King Street East, Suite #902, Toronto, Ontario, M5C 1C4. High Tide is in the business of acquiring and exploring iron ore and EV battery metal projects. Avidian Gold Corp. (“Avidian”) owns approximately 32% of High Tide at June 30, 2022 (2021 – 67%).

The consolidated financial statements of the Company for the year ended June 30, 2022 and 2021 were reviewed, approved and authorized for issue by the Board of Directors October 27, 2022. Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts, and currency exchange fluctuations and restrictions.

These consolidated financial statements have been prepared on a going concern basis assuming that the Company will be able to realize its assets and discharge its liabilities in the normal course of business as they come due into the foreseeable future.

The Company’s property interests are at an early stage of exploration and, in common with many exploration companies, it raises financing for its exploration and evaluation activities in discrete tranches. The Company has incurred a loss for the year ended June 30, 2022 of \$4,478,035 (2021 - \$927,058) and has an accumulated deficit of \$6,824,800 (2021 - \$2,346,765).

To continue as a going concern, the Company must secure new funding. Although the Company has been successful in raising funds to date, there can be no assurance that adequate or sufficient funding will be available in the future, or available under terms acceptable to the Company. In the event that the Company is unable to secure further financing, it may not be able to complete the development of its mineral projects. There can be no assurance that these initiatives will be successful. These material uncertainties cast significant doubt as to the ability of the Company to meet its business plan and obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

These financial statements do not include adjustments to the recoverability and classifications of recorded assets and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2022 and 2021**  
**(Expressed in Canadian Dollars)**

---

**2. SIGNIFICANT ACCOUNTING POLICIES**

*Statement of compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") effective for the Company's reporting for the years ended June 30, 2022 and 2021.

*Basis of presentation*

These consolidated financial statements have been prepared on an accrual basis except for cash flow information. These consolidated financial statements are based on historical costs except for those financial instruments carried at fair value and, except where otherwise stated, do not take into account changing money values, fair values of assets and liabilities or recoverable amounts. The policies set out below have been consistently applied to all years presented.

*Basis of consolidation*

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Ferrum Exploration Corp., a company incorporated in Ontario. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are deconsolidated from the date control ceases.

The financial statements include all assets, liabilities, revenues, expenses, and cash flow of the Company and its subsidiary after eliminating inter-entity balances and transactions.

*Presentation and functional currency*

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. The functional currency of Ferrum Exploration Corp. is the Canadian dollar.

*Critical accounting judgments and estimation uncertainties*

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management ("Management") to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements.

Although these estimates are based on Management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2022 and 2021**  
**(Expressed in Canadian Dollars)**

---

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

The areas which require Management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Functional currency determination

The functional currency for the Company and its subsidiary is the currency of the primary economic environment in which the entity operates. This has been determined to be the Canadian dollar for all companies in the group.

Determination of functional currency is conducted through an analysis of the consideration factors identified in IAS 21 The Effects of Changes in Foreign Exchange Rates and may involve certain judgments to determine the primary economic environment. The Company reconsiders the functional currency of its entities if there is a change in events and conditions which determine the primary economic environment. Significant changes to those underlying factors could cause a change to the functional currency.

Estimation of decommissioning and restoration costs and the timing of expenditure

The cost estimates are updated annually during the life of a project to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations) and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value.

Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these

**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2022 and 2021**  
**(Expressed in Canadian Dollars)**

---

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Share-based compensation and warrants

Management is required to make certain estimates when determining the fair value of share-based compensation. These estimates affect the amount recognized as share-based compensation in the consolidated financial statements and are based on the estimated current share price of the Company's shares. The valuation of stock options and warrants is also based on expected volatility and the expected lives of the underlying options and warrants.

Contingencies

See Note 12.

*Cash*

Cash in the consolidated statement of financial position comprises cash held in approved banks.

*Financial instruments*

**Financial assets and liabilities**

*Initial recognition and measurement*

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either fair value through profit or loss ("FVPL") or fair value through other comprehensive income ("FVOCI"), and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Cash and cash equivalents and amounts receivable held for collection of contractual cash flows are measured at amortized cost.

*Subsequent measurement – financial assets at amortized cost*

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method.

**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2022 and 2021**  
**(Expressed in Canadian Dollars)**

---

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Financial instruments (continued)*

Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of operations and comprehensive loss.

*Subsequent measurement – financial assets at FVPL*

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of operations and comprehensive loss. The Company does not have any financial assets at FVPL.

*Subsequent measurement – financial assets at FVOCI*

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of operations and comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

*Derecognition*

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

*Impairment of financial assets*

The Company's financial assets subject to impairment are other amounts receivable which is measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due.

An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2022 and 2021**  
**(Expressed in Canadian Dollars)**

---

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial liabilities**

*Initial recognition and measurement*

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

*Subsequent measurement – financial liabilities at amortized cost*

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the consolidated statements of operations and comprehensive loss. The Company's trade payables and accrued liabilities and amount due to related company are measured at amortized cost.

*Subsequent measurement – Financial liabilities at FVPL*

Financial liabilities measured at FVPL include financial liabilities management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial liabilities measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in the consolidated statements of operations. The Company does not measure any financial liabilities at FVPL.

*Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of operations and comprehensive loss.

*Exploration and evaluation expenditures*

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition cost of mineral properties, property payments and evaluation activities. Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

*Impairment of non-financial assets*

At each reporting date the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is an indication that those assets are impaired. If any such indication exists,

**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2022 and 2021**  
**(Expressed in Canadian Dollars)**

---

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial liabilities (continued)**

*Impairment of non-financial assets (continued)*

the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

The recoverable amount is the higher of fair value less costs 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 current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss in the consolidated statements of operations and comprehensive loss for the period.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

At the end of each reporting date, the Company assesses whether there is any indication that previously recognized impairment losses no longer exist. If such an indication exists, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined net of amortization or depreciation, had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

*Provisions*

A provision is recognized in the consolidated statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from such contracts are lower than the unavoidable cost of meeting its obligations under the contracts.



**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2022 and 2021**  
**(Expressed in Canadian Dollars)**

---

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Decommissioning, restoration and similar liabilities*

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and included in profit or loss as extraction progresses.

*Flow-through shares*

The Company may, from time to time, issue flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource properties to investors.

On the date of issuance of the flow-through shares, the premium relating to the proceeds received in excess of the fair value of the Company's common shares is allocated to premium on flow-through shares liability. If renunciation is retrospective, the Company derecognizes the premium liability when the paperwork to renounce is filed. If the renunciation will occur at a future date, the Company derecognizes the premium liability as qualifying flow-through expenditures are incurred. The reduction to the premium liability in the period of renunciation is recognized through operations.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the lookback rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is reflected as a financial expense.

*Income taxes*

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in "other comprehensive income", in which case it is recognized in equity.

**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2022 and 2021**  
**(Expressed in Canadian Dollars)**

---

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Income taxes (continued)*

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to taxes payable with regards to previous years.

Deferred tax is provided 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. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize any asset.

*Loss per share*

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

*Share-based compensation*

Management determines costs for share-based compensation using market-based valuation techniques. The fair value of the market-based and performance-based share awards is determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Equity-settled share-based compensation to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share capital note.

**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2022 and 2021**  
**(Expressed in Canadian Dollars)**

---

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Share-based compensation (continued)*

Equity-settled share-based compensation transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

*Segment reporting*

The Company operates in a single reportable operating segment, namely the acquisition, exploration and development of mineral exploration projects.

*Issued capital*

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

*Quebec refundable tax credit and refundable mining duty*

The Company is entitled to a credit on duties refundable under the Mining Duties Act in certain circumstances. This credit on duties on exploration costs incurred in the Province of Quebec is recognized as a reduction to exploration and evaluation expenditures in the consolidated statement of operations.

Furthermore, the Company is entitled to a refundable tax credit on qualified expenditures incurred in Quebec. The refundable tax credit for exploration expenditures is 38.75% of qualified expenditures incurred.

The Company estimates the benefits to be recognized from refundable tax credits relating to qualified expenditures incurred. These receivables are recognized to the extent that it is probable that the Company has met all eligibility requirements for the expenditures in the period they are incurred. The Company presents these credits as a reduction to exploration and evaluation expenditures in the consolidated statement of operations.

*Recent accounting pronouncements*

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after July 1, 2022. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2022 and 2021**  
**(Expressed in Canadian Dollars)**

---

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”) was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e., a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g., contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

**3. CAPITAL MANAGEMENT**

When managing capital, the Company’s objective is to ensure the entity continues as a going concern as well as to achieve optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral exploration assets.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of Management to sustain the future development of the business. The Company considers its capital to be equity, which comprises share capital, warrants, contributed surplus and deficit, which at June 30, 2022, totaled \$625,127 (2021 - \$2,283,330).

The Company invests all capital not required for its immediate needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term guaranteed deposits, all held with select major Canadian financial institutions.

The Company is currently attempting to identify an economic mineral resource and as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned acquisitions and exploration, as well as pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2022 and 2021**  
**(Expressed in Canadian Dollars)**

---

**3. CAPITAL MANAGEMENT (continued)**

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital in current economic conditions by:

- a. maintaining a liquidity cushion in order to address any potential disruptions or industry downturns;
- b. minimizing discretionary disbursements; and
- c. exploring alternative sources of liquidity.

In light of the above, the Company will continue to assess new properties if the Company believes there is sufficient 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 appropriate. There were no significant changes in the Company's approach to capital management during the years ended June 30, 2022 and 2021.

**4. FINANCIAL RISK FACTORS**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (specifically commodity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

*Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is attributable to cash. Cash and cash equivalents are held with a reputable financial institution, from which management believes the risk of loss to be remote.

Included in amounts receivable is sales tax receivable from government authorities in Canada. Amounts receivable are in good standing as of June 30, 2022. Management believes that the credit risk concentration with respect to financial instruments included in amounts receivable is minimal.

*Liquidity risk*

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they become due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company.

The Company generates cash flow primarily from its financing activities. As at June 30, 2022, the Company had cash and cash equivalents of \$1,176,596 (2021 - \$2,351,249) to settle current liabilities of \$1,059,776 (2021 - \$196,606). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance and liquidity.

**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2022 and 2021**  
**(Expressed in Canadian Dollars)**

---

**4. FINANCIAL RISK FACTORS (continued)**

All of the Company's current financial liabilities as at June 30, 2022 have contractual maturities of less than 30 days and are subject to normal trade terms.

*Market risk*

Commodity price risk

The Company is exposed to price risk with respect to iron ore and precious metals prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to price movements and volatilities.

**Sensitivity Analysis**

As of June 30, 2022 and 2021, both the carrying and fair value amounts of the Company's financial instrument are approximately equivalent due to their short-term nature. Management does not believe the Company is exposed to any significant interest rate or currency exchange risks with respect to its financial instruments.

**Fair value hierarchy and liquidity risk disclosure**

The three levels of the fair value hierarchy are as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2	Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3	Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At June 30, 2022 and 2021, the Company did not hold any financial assets in the fair value hierarchy.

**5. SHARE CAPITAL**

**(a) Authorized**

Unlimited number of common shares, with no par value.

**(b) Issued**

- (i) In December 2020, the Company closed a flow-through private placement to raise gross proceeds of \$299,500. The offering consisted of the issuance of 2,495,833 units ("Unit"). Each Unit was offered at a price of \$0.12 and consisted of one common share and one-half of one common share purchase warrant, with each whole warrant exercisable at a price of \$0.15 per common share if exercised within 24 months of the closing of the offering. A director of the Company subscribed for 208,333 units for gross proceeds of \$25,000.

**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2022 and 2021**  
**(Expressed in Canadian Dollars)**

---

**5. SHARE CAPITAL (continued)**

**(b) Issued**

- (ii) In June 2021, the Company issued 12,152,842 flow-through shares to Avidian at a price of \$0.18 per share for total gross proceeds of \$2,187,512.
- (iii) On November 5, 2021, the Company issued 13,427,507 common shares valued at \$0.12 per share for a total value of \$1,611,301 in connection with the Company's Labrador West option agreement. See Note 10. The value of the shares was based on the underlying share price from the 2022 private placement.
- (iv) On February 24, 2022, the Company satisfied the escrow release conditions and completed a non-brokered private placement financing of 7,332,060 units ("Unit") at a price of \$0.15 for aggregate gross cash proceeds of \$1,099,809. Each Unit consisted of one common share of the Company and one half of one share purchase warrant with an exercise price of \$0.20 per share expiring 36 months from the date of issuance.
- (v) In accordance with the Lac Pegma purchase agreement (Note 10) the Company issued 650,000 common shares to the property vendor. The common shares have an estimated value of \$58,500 based on the quoted market price of the Company's shares at the date of issuance.

**(c) Share-based compensation**

On June 1, 2022, the Company granted 1,875,000 stock options to officers, directors, and consultants of the Corporation to purchase 1,875,000 common shares of the Corporation at an exercise price of \$0.15 per share expiring on June 1, 2027. The options were valued using the Black-Scholes pricing model with a share price of \$0.12, an expected volatility of 115%, an expected dividend yield of 0%, an expected life of 5 years and a risk-free rate of 2.83%.

The stock options vest 1/3 upon granting, 1/3 on the first anniversary of the date of grant and the remaining 1/3 on the second anniversary of the date of grant. Share-based compensation expense of \$66,448 was recorded in the year ended June 30, 2022 for this grant.

Share based payment activity for the years ended June 30, 2022 and 2021 is summarized as follows:

	<b>Number of stock options</b>	<b>Weighted average exercise price</b>
		\$
<b>Balance, June 30, 2021 and 2020</b>	-	-
Granted	1,875,000	0.15
<b>Balance, June 30, 2022</b>	<b>1,875,000</b>	<b>0.15</b>

**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2022 and 2021**  
**(Expressed in Canadian Dollars)**

**5. SHARE CAPITAL (continued)**

**(c) Share-based compensation**

Summary of options outstanding as at June 30, 2022:

Options #	Number of non-vested options	Number of vested options	Exercise price \$	Grant date fair value of options \$	Expiry date
1,875,000	1,250,000	625,000	0.15	178,125	June 1, 2027
<b>1,875,000</b>	<b>1,250,000</b>	<b>625,000</b>		<b>178,125</b>	

The weighted average remaining time to expiry for all outstanding options as of June 30, 2022 is 4.92 years.

During the year ended June 30, 2022, 1,650,000 of the above stock options were granted to directors and officers of the Company. The share-based compensation expense related to the options issued is \$58,474.

**6. WARRANTS**

The following is a summary of warrant activity for the years ended June 30, 2022 and 2021:

	June 30, 2022		June 30, 2021	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Balance, beginning of year	1,247,917	0.15	-	-
Granted in connection with private placements	3,666,031	0.20	1,247,917	0.15
Issuance of broker warrants	67,584	0.15	-	-
Balance, end of year	<b>4,981,532</b>	<b>0.19</b>	1,247,917	0.15

- (i) In connection with the December 2020 private placement disclosed in Note 5, the Company issued 1,247,917 warrants. The grant date fair value of \$59,774 assigned to the warrants was estimated using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 115%, a risk-free interest rate of 0.26%, share price of \$0.10 and an expected maturity of 2 years.



**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2022 and 2021**  
**(Expressed in Canadian Dollars)**

---

**6. WARRANTS (continued)**

- (ii) In connection with the February 2022 financing disclosed in Note 5, the Company issued 3,666,031 warrants. The grant date fair value of \$242,635 assigned to the warrants was estimated using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 100%, a risk free interest rate of 1.57%, share price of \$0.15 and an expected maturity of 3 years.
- (iii) In connection with the February 2022 financing disclosed in Note 5, the Company issued 67,584 broker warrants. Each broker warrant entitles the holder to purchase one Unit at a price of \$0.15 for a period of 36 months. Each Unit consists of one common share of the Company and one-half of one share purchase warrant with an exercise price of \$0.20 per share expiring on February 24, 2025. The grant date fair value of \$10,138 assigned to the warrants was estimated based on the value of a Unit.

Summary of warrants outstanding at June 30, 2022:

<u>Warrants</u>	<u>Exercise price</u>	<u>Fair value of warrants</u>	<u>Expiry date</u>
#	\$	\$	
1,247,917	0.15	59,774	December 30, 2022
3,666,031	0.20	242,635	February 23, 2025
<u>67,584*</u>	0.15	<u>10,138</u>	February 23, 2025
4,981,532		312,547	

\* Exercisable into 1 common share and ½ of one warrant exercisable at \$0.20 until February 23, 2025.

**7. BASIC AND DILUTED NET LOSS PER SHARE**

The calculation of basic and diluted earnings per share for the years ended June 30, 2022 and 2021 was based on the net loss of \$4,478,035 (2021 - \$927,058) and the weighted average number of common shares outstanding of 57,975,776 (2021 – 33,344,459).

Diluted loss per share does not include the effect of the stock options and share purchase warrants disclosed in Note 5(c) and 6 as they are anti-dilutive for the years ended June 30, 2022 and 2021.

**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2022 and 2021**  
**(Expressed in Canadian Dollars)**

---

**8. RELATED PARTY TRANSACTIONS**

a) The remuneration of key management personnel is comprised of

	June 30, 2022	June 30, 2021
Consulting fees	\$ 115,875	\$ 103,750
Exploration and evaluation expenditures	-	57,825
Share-based compensation	58,474	-
	<u>\$ 174,349</u>	<u>\$ 161,575</u>

Key management personnel include directors, officers and former directors/officers.

b) See Note 5(b).

c) Trade payables and accrued liabilities as at June 30, 2022 include \$13,375 (2021 - \$5,600) owed to officers of the Company. Such amounts are unsecured, non-interest bearing and with no fixed terms of payment.

d) The amounts due to related company are due to Avidian (Note 1). The balance is unsecured, non-interest bearing with no fixed terms of repayment.

**9. GENERAL AND ADMINISTRATIVE**

	June 30, 2022	June 30, 2021
Consulting fees and investor relations	\$ 318,371	\$ 111,250
Office supplies, bank charges and transfer agent	69,633	4,421
Professional fees	189,576	35,000
Travel	37,740	877
	<u>\$ 615,320</u>	<u>\$ 151,548</u>

**10. EXPLORATION AND EVALUATION EXPENDITURES**

**Labrador West**

On August 20, 2019, the Company entered into an option agreement (together with the Amendment Agreement, the Second Amendment Agreement and the Third Amendment Agreement, each as defined herein below, the "Labrador West Option Agreement") with Altius Resources Inc. ("Altius") pursuant to which the Company was granted the Labrador West Option to acquire up to a 100% interest in the Labrador West iron ore project, located in the Labrador Trough. The Labrador West Option is exercisable until December 31, 2022.

**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2022 and 2021**  
**(Expressed in Canadian Dollars)**

---

**10. EXPLORATION AND EVALUATION EXPENDITURES (continued)**

On November 27, 2020 the Company and Altius entered into an amendment agreement (the “Amendment Agreement”) pursuant to which the Company and Altius agreed to amend the Labrador West Option Agreement to defer all obligations under the Labrador West Option by one calendar year due to ramifications resulting from the COVID-19 virus and the related government-imposed restrictions and lockdowns.

On September 28, 2021 the Company and Altius entered into a second amendment agreement (the “Second Amendment Agreement”) pursuant to which the Company and Altius agreed to further amend the Labrador West Option Agreement to provide for an adjustment to the share consideration payable to exercise the Labrador West Option.

On November 5, 2021 the Company and Altius entered into a third amendment agreement (the “Third Amendment Agreement”) pursuant to which the Company and Altius agreed to further amend the Labrador West Option Agreement to provide for the share consideration payable to exercise the Labrador West Option to be adjusted to be calculated on a partially diluted basis instead of a fully diluted basis. The Company and Altius agreed that the difference between the share consideration payable on a partially diluted basis versus a fully diluted basis shall be payable to Altius at Altius’ option by way of the Milestone Shares (as defined below).

A total of 13,427,507 Payment Shares were issued to Altius on November 5, 2021. The Payment Shares were issued at an estimated price per Payment Share of \$0.12 for a total value of \$1,611,301. The value of the shares was estimated based on the estimated value of shares issued in the private placement. Refer to Note 5.

Accordingly, pursuant to the Labrador West Option Agreement, as amended by the Amendment Agreement, the Second Amendment Agreement and the Third Amendment Agreement, in order for the Company to exercise the Labrador West Option, the Company must:

- (a) within 36 months from the execution date of the Labrador West Option Agreement, the Company must have listed its common shares on, or assigned the Labrador West Option to a company (“Pubco”) that has its shares listed on, the Toronto Stock Exchange, the TSX Venture Exchange, or the Canadian Securities Exchange (“CSE”) (completed);
- (b) incur expenditures in connection with the exploration of the property subject to the Labrador West Option Agreement (“Exploration Expenditures”), consisting of:
  - a. At least \$1,000,000 by December 31, 2021 (completed); and
  - b. An additional \$1,000,000 by December 31, 2022;

The Company is entitled to satisfy any deficiency in the Exploration Expenditures by making cash payments to Altius in lieu of the Exploration Expenditures; and

**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2022 and 2021**  
**(Expressed in Canadian Dollars)**

---

**10. EXPLORATION AND EVALUATION EXPENDITURES (continued)**

- (c) issue to Altius a number of common shares of the Company (the “Payment Shares”), such that the number of the Payment Shares shall result in Altius owning 19.9% of the issued and outstanding capital of the Company on a partially diluted basis calculated immediately following the time the Equity Financing Threshold (as defined hereinafter) is obtained (the “Payment Date”); the “Equity Financing Threshold” equals the gross proceeds of any equity financings combined with cash held by the Company plus total Exploration Expenditures up to the initial equity financing up to a maximum of \$3,000,000, will total at least \$4,000,000. The Company expects this to be completed by December 31, 2022.

Upon the Company satisfying the above conditions, the Company will have been deemed to have exercised the Labrador West Option and will be entitled to purchase the 100% interest in the property subject to the provisions of the Labrador West Property Agreement, which include, among other matters:

- (a) issue to Altius a number common shares of the Company equal to \$200,000 (the “Additional Shares”) on the earlier of: (i) the first anniversary of the Payment Date and (ii) the date whereby the Company completes a financing transaction subsequent to the Payment Date (the “Secondary Financing”), at a price per Additional Share equal to the price per share pursuant to the Secondary Financing; in the event that the Company has not completed the Secondary Financing by the first anniversary of the Payment Date, then the price per Additional Share shall be equal to the maximum applicable discount under the policies of the CSE and as may be acceptable to the CSE; in the event that the issuance of the Additional Shares would result in Altius holding more than 19.9% of the common shares of the Company on a partially diluted basis the number of the Additional Shares issuable to Altius will be decreased by such number of shares so that Altius’s holdings will not exceed 19.9% of the issued and outstanding common shares in the capital of the Company; and
- (b) within 24 months from the date the Company delivers the Payment Shares to the Altius, the Company shall be obligated to issue to Altius an additional 1,246,004 Common Shares (the “Milestone Shares”), at the sole discretion of Altius. Altius may elect at any time to receive the Milestone Shares by delivering notice to that effect to the Company, provided that the issuance of the Milestone Shares would not result in Altius holding more than 19.9% of the Common Shares of the Company on a partially diluted basis. The Milestone Shares shall be issued at a deemed price per Milestone Share equal to the maximum applicable discount under the policies of the CSE and as may be acceptable to the CSE. The Company shall not be responsible for the issuance of any unissued Milestone Shares in the event that Altius does not make an election to receive the Milestone Shares, in full, within 24 months from the delivery date of the Payment Shares.

Upon acquiring a 100% interest in the project, the Company shall grant to Altius a 2.75% gross sales royalty (GSR) on all iron ore produced, removed and recovered from the project.

**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2022 and 2021**  
**(Expressed in Canadian Dollars)**

---

**10. EXPLORATION AND EVALUATION EXPENDITURES (continued)**

**Lac Pegma**

On February 2, 2021, the Company entered into a purchase agreement with Globex Mining Enterprises Inc. (“Globex”) to purchase 100% of the Lac Pegma copper-nickel-cobalt sulphide deposit located approximately 50 kilometres south of Fermont, Que.

The terms of the purchase agreement are as follows: the Company paid Globex \$10,000 in cash and an undertaking to issue 650,000 shares of the Company upon completion of an initial public offering/liquidity event prior to September 30, 2021 (see Note 5(b)). In addition, Globex will retain a 2% gross metal royalty with a 1% buyback option for \$1,500,000 exercisable at any time at the discretion of the Company.

Further, on February 25, 2021, the Company increased its land position by acquiring additional mineral exploration claims adjacent to its Lac Pegma copper-nickel-cobalt sulphide deposit.

The Company continues to engage and have discussions with the Uashat Mak Mani-Utenam, the Innu First Nations based in Sept-Îles, Quebec.

The following table summarizes exploration and evaluation expenditures for each of the Company’s respective properties.

	<b>June 30</b>	<b>June 30</b>
	<b>2022</b>	<b>2021</b>
<b>Labrador West</b>		
Acquisition and holding costs	\$ 1,611,301	\$ (3,550)
Exploration and evaluation expenditures	1,957,633	763,505
	<b>\$ 3,568,934</b>	<b>\$ 759,955</b>
<b>Lac Pegma</b>		
Acquisition and holding costs	\$ 58,500	\$ 32,558
Exploration and evaluation expenditures	291,214	159,587
	<b>\$ 349,714</b>	<b>\$ 192,145</b>
<b>Quebec Tax Credit for Eligible Exploration Expenses</b>	<b>\$ (112,846)</b>	<b>\$ (61,840)</b>
<b>Newfoundland Junior Exploration Assistance</b>		
Program Grant	\$ -	\$ (114,750)
<b>TOTAL EXPLORATION AND</b>		
<b>EVALUATION EXPENDITURES</b>	<b>\$ 3,805,802</b>	<b>\$ 775,510</b>

**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2022 and 2021**  
**(Expressed in Canadian Dollars)**

---

**11. INCOME TAXES**

The Company utilizes the asset and liability method of accounting for incomes taxes. The estimated taxable income for the years ended June 30, 2022 and 2021 is \$Nil. Based upon the level of historical taxable income, it cannot be reasonably determined if the Company will realize deferred income tax assets.

(a) Provision for income taxes

Major items causing the Company's effective income tax rate to differ from the combined statutory rate of 26.5% (2020 – 26.5%) were as follows:

	2022 \$	2021 \$
(Loss) before income taxes	(4,478,035)	(927,058)
Expected income tax recovery based on statutory rate	(1,187,000)	(246,000)
Adjustment to expected income tax benefit:		
Share-based compensation and other	23,000	-
Flow-through renunciation	566,000	243,000
Change in benefit of tax assets not recognized	598,000	3,000
Deferred income tax provision (recovery)	-	-

(b) Deferred income taxes

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2022 \$	2021 \$
Canada		
Non-capital loss carry-forwards	859,000	242,000
Mineral exploration property costs	1,746,000	76,000
Share issue costs	60,000	52,000
Total	2,665,000	370,000

The tax losses expire from 2039 to 2042. The other temporary differences do not expire under current legislation.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2022 and 2021**  
**(Expressed in Canadian Dollars)**

---

**11. INCOME TAXES (continued)**

The Company has approximately \$859,000 (2021 - \$242,000) of non-capital losses in Canada as at June 30, 2022, which under certain circumstances can be used to reduce the taxable income of future years.

The non-capital losses in Canada will expire as follows:

2039	\$ 37,000
2040	53,000
2041	164,000
2042	605,000
<u>Total</u>	<u>\$ 859,000</u>

(c) Canadian development and exploration expenditures

The Company has approximately \$463,000 of Canadian development and exploration expenditures as at June 30, 2022 (2021 - \$76,000) which under certain circumstances can be used to reduce taxable income in future years.

**12. CONTINGENCIES**

**Environmental contingencies**

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations.

**Flow-through commitment**

The Company is obligated to spend \$2,371,750 by December 31, 2022 for the issuance of flow-through shares by the Company. As at June 30, 2022, the Company is obligated to spend an additional \$524,954 to satisfy the December 31, 2022 obligation. The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties to flow-through participants. The Company has indemnified the subscribers for certain tax related amounts that become payable by the subscribers should the Company not meet its expenditure commitments.

**Notes to the Consolidated Financial Statements**  
**For the years ended June 30, 2022 and 2021**  
**(Expressed in Canadian Dollars)**

---

**13. SUBSEQUENT EVENT**

- (a) On July 11, 2022 the Company entered into an option purchase agreement (the “Agreement”) to acquire a 100% interest in the Clearcut Lithium Project (the “Property”) located in Abitibi Témiscamingue region southwest of Val d’Or, Quebec.

Pursuant to the Agreement, the Company may acquire a 100% interest in the Property by making aggregate cash payments of \$100,000, issuing an aggregate of 1,000,000 common shares of the Company and incurring an aggregate of \$1,000,000 in exploration expenditures on or before the third anniversary date of the Agreement. The Vendors will retain a 2.0% net smelter royalty, 0.5% of which may be purchased by the Company for \$1,000,000. Further, the Company has agreed to make additional one-time milestone payments of \$500,000 and \$1,000,000 upon the filing of a positive feasibility study and upon the start of commercial production respectively. The milestone payments may be paid in cash or the issuance of shares at the Company’s discretion and shall be deemed to be an advance to the Vendors to be deducted against future royalty payments. The Company paid \$25,000 and issued 250,000 common shares pursuant to the Agreement in July 2022.