

**VATIC VENTURES CORP.**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NINE MONTHS ENDED**

**NOVEMBER 30, 2022**

**EXPRESSED IN CANADIAN DOLLARS**

(Unaudited – Prepared by Management)

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor Davidson & Company LLP has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed consolidated interim financial statements.

January 19, 2023

**VATIC VENTURES CORP.**

Condensed Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	November 30, 2022	February 28, 2022
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 432	\$ 1,012
Amounts receivable (Note 4)	25,325	62,823
Prepaid expenses (Note 5)	26,000	22,000
	51,757	85,835
<b>Non-current</b>		
Exploration and evaluation assets (Note 6)	940,175	75,175
<b>Total assets</b>	<b>\$ 991,932</b>	<b>\$ 161,010</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 305,933	\$ 341,547
Due to related parties (Note 12)	-	76,826
	365,933	418,373
<b>Non-current</b>		
Loan payable (Note 8)	-	60,000
<b>Total liabilities</b>	<b>365,933</b>	<b>478,373</b>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
Share capital (Note 9)	11,411,540	9,680,391
Subscriptions received in advance (Note 9)	-	100,000
Share-based payment reserve (Note 9)	254,243	254,243
Warrant reserve (Note 9)	47,110	27,059
Deficit	(11,086,894)	(10,379,056)
<b>Total shareholders' equity (deficiency)</b>	<b>625,999</b>	<b>(317,363)</b>
<b>Total liabilities and shareholders' equity (deficiency)</b>	<b>\$ 991,932</b>	<b>\$ 161,010</b>

**Nature of operations and going concern (Note 1)****Subsequent events (Note 14)**

Approved by the Board of Directors

"Loren Currie"

Director

"Matthew Mikulicz"

Director

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

**VATIC VENTURES CORP.**

## Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

	Three months ended		Nine months ended	
	November 30, 2022	November 30, 2021	November 30, 2022	November 30, 2021
<b>Expenses</b>				
Consulting fees (Note 12)	\$ 124,500	\$ 65,308	\$ 381,100	\$ 329,593
Business development	-	-	150,000	-
Management fees (Note 12)	-	-	-	22,500
Office and miscellaneous	4,414	1,045	12,027	7,947
Professional fees	2,100	1,260	75,505	71,584
Project investigation	61,600	59,620	61,600	71,620
Rent	-	2,034	1,999	6,629
Share-based payments (Note 9)	-	-	-	254,243
Transfer agent and filing fees	8,874	2,405	30,348	18,210
Travel, meals and entertainment	54,060	49,397	137,995	112,456
Total expenses	(255,548)	(181,069)	(850,574)	(894,782)
Gain on extinguishment of debt (Note 7)	-	-	26,736	52,581
Interest expenses (Note 8)	-	-	-	(4,442)
Expense recoveries	116,000	-	116,000	-
	116,000	-	142,736	48,139
Loss and comprehensive loss for the period	(139,548)	(181,069)	(707,838)	(846,643)
Weighted average number of common shares outstanding (basic and diluted)	26,990,631	14,381,510	24,076,019	9,691,007
Basic and diluted net loss per share	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.09)

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

**VATIC VENTURES CORP.**

Condensed Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian Dollars)

	Number of shares issued	Share capital	Warrant reserve	Share-based payment reserve	Subscriptions received	Deficit	Total
<b>Balance, February 29, 2021</b>	<b>4,382,375</b>	<b>\$ 8,561,677</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (9,540,421)</b>	<b>\$ (978,744)</b>
Loss for the period	-	-	-	-	-	(846,643)	(846,643)
Private Placement	8,332,467	999,896	-	-	-	-	999,896
Share for debt settlement	1,666,668	200,000	-	-	-	-	200,000
Share-based payment	-	-	-	254,243	-	-	254,243
Fair value reversal of agent's warrant granted	-	(27,059)	27,059	-	-	-	-
Finders' fees	-	(47,123)	-	-	-	-	(47,123)
Share subscription received	-	-	-	-	100,000	-	100,000
<b>Balance, November 30, 2021</b>	<b>14,381,510</b>	<b>\$ 9,687,391</b>	<b>\$ 27,059</b>	<b>\$ 254,243</b>	<b>\$ 100,000</b>	<b>\$ (10,387,064)</b>	<b>\$ (318,371)</b>

	Number of shares issued	Share capital	Warrant reserve	Share-based payment reserve	Subscriptions received	Deficit	Total
<b>Balance, February 28, 2022</b>	<b>14,381,510</b>	<b>\$ 9,680,391</b>	<b>\$ 27,059</b>	<b>\$ 254,243</b>	<b>\$ 100,000</b>	<b>\$ (10,379,056)</b>	<b>\$ (317,363)</b>
Loss for the period	-	-	-	-	-	(707,838)	(707,838)
Private placement	4,050,000	810,000	-	-	-	-	810,000
Finders' fee	-	(28,800)	-	-	-	-	(28,800)
Warrants exercised	680,000	170,000	-	-	-	-	170,000
Fair value reversal of agent's warrants granted	-	(20,051)	20,051	-	-	-	-
Property acquisition	8,000,000	800,000	-	-	-	-	800,000
Share subscription received	-	-	-	-	(100,000)	-	(100,000)
<b>Balance, November 30, 2022</b>	<b>27,111,510</b>	<b>\$ 11,411,540</b>	<b>\$ 47,110</b>	<b>\$ 254,243</b>	<b>\$ -</b>	<b>\$ (11,086,894)</b>	<b>\$ 625,999</b>

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

**VATIC VENTURES CORP.**

## Condensed Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	Nine months ended	
	November 30, 2022	November 30, 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (707,838)	\$ (846,643)
Adjustments for:		
Gain on extinguishment of debt	-	(52,581)
Share-based payments	-	254,243
Interest expense	-	4,442
Changes in non-cash working capital items:		
Decrease (increase) in amounts receivable	37,498	(564)
Increase in prepaid expenses	(4,000)	-
Decrease in due to related parties	(76,826)	(357,983)
Decrease in accounts payable and accrued liabilities	(35,614)	(2,936)
Net cash used in operating activities	(786,780)	(1,002,022)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation assets	(65,000)	-
Net cash used in investing activities	(65,000)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Debt Settlements	-	65,158
Proceeds from private placements	980,000	999,896
Share issuance costs	(28,800)	(47,123)
Subscriptions received	(100,000)	100,000
Net cash provided by financing activities	851,200	1,117,931
<b>Increase (decrease) in cash</b>	<b>(580)</b>	<b>115,909</b>
<b>Cash, beginning of the period</b>	<b>1,012</b>	<b>5,202</b>
<b>Cash, end of the period</b>	<b>\$ 432</b>	<b>\$ 121,111</b>

**Supplemental disclosure with respect to cash flows (Note 13)**

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

## **1. NATURE OF OPERATIONS AND GOING CONCERN**

Vatic Ventures Corp. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on October 30, 2007. The Company’s shares are listed for trading under the trading symbol “VCV” on the TSX Venture Exchange (“TSX-V”). Effective April 15, 2021, the Company’s listing was transferred to New Securities Stock Exchange (NEX). The trading symbol for the Company changed from VCV to VCV.H. Effective April 22, 2022, the Company was relisted from the NEX to the TSX-V. The Company is a junior resource exploration company that is involved in the acquisition and exploration of mineral properties.

On May 4, 2021, the Company consolidated its common share on a 10:1 basis. These consolidated financial statements reflect the share consolidation retrospectively.

The head office and principal address of the Company is located at 1400 – 1040 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4H1. The registered address and records office of the Company is located at 2110 – 650 West Georgia Street, Vancouver, British Columbia, Canada, V6B 4N9.

As at November 30, 2022, the Company had a deficit of \$11,086,894 (February 28, 2022 - \$10,379,056) and a working capital deficiency of \$314,176 (February 28, 2022 - \$332,538). The Company expects to incur further losses in the development of its business, all of which indicate the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. These consolidated financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The operations of the Company were primarily funded by the issuance of share capital. The issuance of additional equity securities by the Company may result in significant dilution to the equity interests of current shareholders. However, the Company’s future capital requirements will depend on many factors, including operating costs, the current capital market environment and global market conditions.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

## **2. BASIS OF RESENTATION**

### **Statement of compliance**

The condensed consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

### **Approval of the financial statements**

The condensed consolidated financial statements of the Company for the period ended November 30, 2022 were reviewed by the Audit Committee and approved and authorized for issue on January 19, 2023 by the Board of Directors of the Company.

**2. BASIS OF RESENTATION (cont'd...)**

**Basis of preparation**

The consolidated financial statements have been prepared on an accrual basis except for cash flow information and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted. Certain comparative figures have been reclassified to conform to the current period's presentation.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. All inter-company transactions and balances between the Company and its subsidiaries have been eliminated upon consolidation.

The subsidiaries are consolidated from the date on which control is transferred to the Company and will cease to be consolidated from the date on which control is transferred out of the Company. The Company also assesses existence of control where it does not have more than 50% of voting power but are able to control the investee by virtue of de facto control. De facto control may arise in circumstances where the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders gives the group the power to govern the financial and operating policies.

Details of the Company's subsidiaries are as follows:

	Date of Incorporation	Country of incorporation	Percentage owned November 30, 2022
VV Mining Exploration Services Mexico S. DE. R. I.	June 20, 2012	Mexico	100%
VV Mining Mexico S. DE R. I. C. V.	June 20, 2012	Mexico	100%

All inter-company transactions and balances have been eliminated upon consolidation.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Significant accounting judgments, estimates and assumptions**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses.

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, has been omitted or condensed.

The same accounting policies and methods of computation were followed in the preparation of these condensed consolidated interim financial statements as were followed in the preparation and described in Note 3 of the annual audited consolidated financial statements as at and for the year ended February 28, 2022. Accordingly, these condensed interim financial statements for the nine month period ended November 30, 2022 should be read together with the annual audited consolidated financial statements as at and for the year ended February 28, 2022.

**VATIC VENTURES CORP.**  
**Notes to the Consolidated Financial Statements**  
**(Expressed in Canadian dollars)**  
**For the nine months ended November 30, 2022**

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**4. ACCOUNTS RECEIVABLE**

	November 30, 2022	February 28, 2022
Accounts receivable	\$ -	\$ 53,965
GST receivable	25,325	8,858
	<u>\$ 25,325</u>	<u>\$ 62,823</u>

Accounts receivable as at February 28, 2022 relate to shared office costs charged by the Company.

**5. PREPAID EXPENSES**

	November 30, 2022	February 28, 2022
Prepaid expenses	\$ 26,000	\$ 22,000
	<u>\$ 26,000</u>	<u>\$ 22,000</u>

Prepaid expenses as at November 30 and February 28, 2022 relate to prepayments for travel.

**6. EXPLORATION AND EVALUATION ASSETS**

	Northern Quebec		
	Hansen Gold Property		Total
Balance, February 28, 2021	\$ -	\$ -	-
Acquisition costs - cash	25,000		25,000
Expenditures			
Geological and geophysical	50,175		50,175
Balance, February 28, 2022	<u>\$ 75,175</u>	<u>\$ 75,175</u>	<u>75,175</u>
Acquisition costs - cash	65,000		65,000
Acquisition costs - shares	800,000		800,000
Balance, November 30, 2022	<u>\$ 940,175</u>	<u>\$ 940,175</u>	<u>940,175</u>

**Hansen Gold Property in Northern Quebec**

On September 21, 2021, the Company entered into an option agreement with Shadow Ventures Corp. (“Shadow”) to acquire a gold exploration property known as the Hansen prospect located in the Chibougamau area of northern Quebec (the “Property”).

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

Shadow acquired the right to acquire the Property from Fayz Yacoub and Ramy Yacoub (the "Underlying Optionors") pursuant an agreement dated October 1, 2020, an amending agreement dated April 8, 2021, and a second amending agreement dated August 9, 2021 (together, the "Underlying Option Agreement"). The Company has agreed, pursuant to its option agreement with Shadow (the "Vatic Option Agreement") to option the rights and obligations from Shadow as provided for in the Underlying Option Agreement by satisfying the requirements of the Underlying Option Agreement and by providing Shadow with additional consideration. The Underlying Option Agreement was further amended on September 30, 2021, October 1, 2021, October 31, 2021, and September 30, 2022. The below requirements are reflective of such amendments.

In order to satisfy the requirements of the Underlying Option Agreement and the Vatic Option Agreement the Company will, subject to the approval of the TSX Venture Exchange (the "Exchange"), issue the shares, make the cash payments and complete the exploration expenditures as follows:

Shares:

- a) At the option of the Company, either issue 500,000 shares or issue such number of shares equal to \$100,000 (based on the 10 day volume weighted average price of the Company's shares prior to October 1, 2021) (issued);
- b) On closing, issue 7,000,000 shares which will be issued pro rata to the shareholders of Shadow (issued);
- c) On the date that a National Instrument 43-101 Technical Report on the Property is submitted to the Exchange, at the option of the Company, either issue an additional 500,000 shares or such number of shares equal to \$100,000 (based on the 10 day volume weighted average price of the Company's shares prior to the date of issuance) (issued);
- d) On or before December 31, 2022 a further 250,000 shares;
- e) On or before October 1, 2023 a further 250,000 shares; and
- f) On the declaration of proven reserves supported by a National Instrument 43-101 Technical Report reserve calculation report that Shadow deems economically feasible to continue developing the Property a further 500,000 shares.

Cash:

- a) \$25,000 on or before October 8, 2021 (paid);
- b) \$55,000 payable on the date the Exchange approve the Option Agreement (paid);
- c) \$10,000 on October 1, 2022 (paid) and an additional \$15,000 payable by December 31, 2022; and
- d) \$25,000 payable by October 1, 2023 and an additional \$20,000 payable by October 1, 2024.

Expenditures:

On or before the following dates, the Company is required to incur exploration expenditures of:

- a) \$50,000 on or before March 31, 2022;
- b) A further \$200,000 on or before October 31, 2022; and
- c) A further \$500,000 on or before October 31, 2023; and
- d) A further \$200,000 on or before October 31, 2024.

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	November 30, 2022	February 28, 2022
Accounts payable	\$ 141,350	\$ 198,874
Accrued liabilities	164,583	142,673
	<b>\$ 305,933</b>	<b>\$ 341,547</b>

During the period ended November 30, 2022, the Company recorded a gain on extinguishment of accounts payable of \$26,736 (February 28, 2022 - \$600).

**8. LOANS PAYABLE**

During the year ended February 28, 2021, the Company received a series of loans in the aggregate amount of \$125,500 (the “Loans”). The Loans are to carry a 15% per annum interest rate. During the year ended February 28, 2022, the Company issued a total of 1,123,679 units to settle \$134,841 of debt. Each unit consists of one share of the Company and one share purchase warrant (Note 9). The Company recognized a gain or loss on settlement of debt of \$nil in relation to this settlement.

During the year ended February 28, 2021, the Company entered into a Canada Emergency Business Account (“CEBA”) loan with the Government of Canada. The amount of the loan is \$60,000 from the Government of Canada. The CEBA Loan has an initial term that expires on December 31, 2023, throughout which, the CEBA Loan remains interest free. Repayment of \$30,000 by December 31, 2023, results in a \$10,000 loan forgiveness. If the balance is not paid prior to December 31, 2023, the remaining balance will be converted to a 2-year term loan at 5% annual interest, paid monthly effective January 1, 2024. The full balance must be repaid by no later than December 31, 2025.

**9. SHARE CAPITAL**

Authorized: unlimited common shares without par value

During the nine months ended November 30, 2022, the Company:

- a) The Company closed a non-brokered private placement consisting of 3,050,000 units at \$0.20 per unit for aggregate gross proceeds of \$610,000. Each unit consists of one common share of the Company and one half of a common share purchase warrant. Each full warrant is exercisable for an additional common share of the Company at \$0.30 for a two year period. In connection with the private placement, the Company paid cash finders’ fees of \$28,800 and issued 144,000 finders’ warrants. Each finders’ warrant entitles the holder to purchase one common share of the Company at a price of \$0.30 for a period of 24 months.
- b) The Company issued 680,000 shares of the Company for proceeds of \$170,000 from the exercise of warrants.
- c) The Company issued 8,000,000 shares of the Company for the acquisition of Hansen Gold Property.
- d) The Company closed a private placement financing consisting of 1,000,000 units at \$0.30 per unit for aggregate gross proceeds of \$200,000. Each Unit consists of 1 common share of the Company and one half of a common share purchase warrant, each full warrant being exercisable for an additional common share of the Company at \$0.30 for 24 months.

**9. SHARE CAPITAL (cont'd...)**

During the year ended February 28, 2022, the Company:

Closed a non-brokered private placement financing for aggregate gross proceeds of \$999,896. The Company issued 8,332,467 units of the Company at a price of \$0.12 per unit, each unit consists of one common share of the Company and one common share purchase warrant, each warrant is exercisable for an additional common share of the Company at \$0.25 for 12 months. In connection with the private placement, the Company paid finders fees in cash totaling \$54,123 and issued 192,693 finders' warrants, each warrant is exercisable for an additional common share of the Company at \$0.25 for 12 months. The finder's warrants were valued at \$27,059. The finder's warrants were valued using the Black-Scholes model with the following inputs: expected life of 1 year, discount rate of 0.25%, volatility of 123% and dividend yield of nil.

Issued 1,666,668 units of the Company at a value of \$200,000 to settle \$200,000. Each unit consists of one common share of the Company and one common share purchase warrant, each warrant is exercisable for an additional common share of the Company at \$0.25 for 12 months. These warrants were valued at \$nil.

**Share options**

The Company adopted a share option plan (the "Share Option Plan") under which it may grant options to directors, officers, and consultants for up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of an option may not be less than the discounted market price, which is the closing market price at date the options were granted. The options can be granted for a maximum term of 10 years and vest at the discretion of the board of directors.

For share options granted to employees, officers, directors, and consultants, the Company recognizes share-based payments, measured at the estimated fair value of the share options granted. The fair value of each share option granted was estimated on the date of grant using the Black-Scholes option-pricing model.

Changes in stock options are as follows:

	Number of options	Weighted average exercise price	Weighted average number of periods to expiry
Balance, February 28, 2021	-	N/A	N/A
Granted	1,400,000	\$0.22	4.39
Balance, February 28, 2022	1,400,000	\$0.22	4.39
Balance, November 30, 2022	1,400,000	\$0.22	3.64

As at November 30, 2022, the following options were outstanding and exercisable:

Weighted average exercise price	Weighted average contractual life (periods)	Number of options outstanding	Number of options exercisable	Expiry date
\$ 0.22	3.64	1,400,000	1,400,000	July 19, 2026
\$ 0.22	3.64	1,400,000	1,400,000	

**VATIC VENTURES CORP.**  
**Notes to the Consolidated Financial Statements**  
**(Expressed in Canadian dollars)**  
**For the nine months ended November 30, 2022**

**9. SHARE CAPITAL (cont'd...)**

On July 19, 2021, the Company granted 1,400,000 stock options at an exercise price of \$0.22 expiring on July 19, 2026. The fair value of the stock options was estimated to be \$254,243 using the Black-Scholes option pricing model with the following inputs: expected life of five years, discount rate of 0.78%, volatility of 110% and dividend yield of nil.

**Warrants**

Changes in warrants outstanding are as follows:

	Warrants outstanding	Weighted average exercise price	Weighted average number of periods to expiry
Balance, February 28, 2021	-	NA	NA
Granted	10,191,828	\$0.25	0.35
Balance, February 28, 2022	10,191,828	\$0.25	0.35
Exercised	(680,000)	\$0.25	NA
Expired	(9,511,828)	\$0.25	NA
Granted	2,169,000	\$0.30	0.00
Balance, November 30, 2022	2,169,000	\$0.30	0.93

As at November 30, 2022, the following warrants are outstanding and exercisable:

Weighted average exercise price	Weighted Average Life (periods)	Number of warrants outstanding & exercisable	Expiry date
\$ 0.30	1.07	1,669,000	April 21, 2024
\$ 0.30	0.45	500,000	November 8, 2024
\$ 0.30	0.93	2,169,000	

**10. CAPITAL DISCLOSURE**

The Company considers its capital structure to include the net residual equity of all assets, less liabilities. Capital is comprised of the Company's equity and any debt that it may issue. The Company's objectives when managing capital are to (i) maintain sufficient working capital to meet current financial obligations and continue as a going concern; (ii) maintain a capital structure to allow the Company to raise equity funding to finance its capital expenditures and acquisition activities; (iii) maintain creditworthiness and maximize returns for shareholders over the long term; (iv) maintain capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic circumstances. The capital for expansion was mostly from proceeds from the issuance of common shares and debt. The net proceeds raised will be used to fund the Company's working capital. There were no changes to the way the Company manages its capital during the period ended November 30, 2022.

## 11. FINANCIAL INSTRUMENTS AND RISKS

### Fair values

Under IFRS, a three-level hierarchy that reflects the significance of inputs used in making fair value adjustments is required. The three levels of the fair value hierarchy are as follows:

- a) Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- b) Level 2 – Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- c) Level 3 – Inputs for assets or liabilities that are not based on observable market data.

The Company does not have any financial assets or liabilities measured subsequently at fair value.

All financial assets and liabilities approximate their fair value due to the short term nature of these instruments.

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, market risk, liquidity risk and currency risk.

### *Credit risk*

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and receivables.

The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The Company's amounts receivable consist primarily of GST receivable due from federal government agencies, and shared office costs.

### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. At November 30, 2022, the Company had cash of \$432 (February 28, 2022– \$1,012), which is insufficient to settle current liabilities of \$305,933 (February 28, 2022 - \$418,373).

### *Market risk*

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

### *Currency risk*

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company may have transactions that are denominated in US dollars. These transactions pose potential currency risks and may have a significant impact on the Company.

**11. FINANCIAL INSTRUMENTS AND RISKS (cont'd...)**

Based on the net exposures at November 30, 2022, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would not have a significant impact on the Company's net loss and comprehensive loss.

*Interest rate risk*

Interest rate risk arises from changes in market rates of interest that could adversely affect the Company. The Company's current exposure to interest rate risk is limited to its cash and cash equivalents yielding interest income at varying rates. The Company's interest obligations on its credit facility, loan payable and certain accounts payable balances, are fixed. The Company's current exposure to interest rate risk is insignificant.

*Commodity risk*

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors the commodity prices of precious metals, and the stock market to determine the appropriate course of action to be taken by the Company. The Company's current exposure to commodity rate risk is insignificant.

**12. RELATED PARTY TRANSACTIONS**

The amounts due to related parties are amounts due to officers and directors of the Company. The balances are unsecured, non-interest bearing and have no specific terms for repayment. These transactions are in the normal course of operations.

*Due to related parties*

	November 30, 2022		February 28, 2022	
Former CEOs	\$	-	\$	42,826
CEO		-		4,000
Directors		-		30,000
<b>Total</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>76,826</b>

During the Nine months ended November 30, 2022 and 2021, the Company paid or accrued management and consulting fees to its officers and directors as follows:

*Management fees*

	Nine months ended			
	November 30, 2022		November 30, 2021	
CEO	\$	-	\$	7,500
Directors		-		15,000
	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>22,500</b>

*Consulting fees*

	Nine months ended			
	November 30, 2022		November 30, 2021	
CFO	\$	52,500	\$	36,000
	<b>\$</b>	<b>52,500</b>	<b>\$</b>	<b>36,000</b>

**12. RELATED PARTY TRANSACTIONS (cont'd...)**

On November 9, 2022, the CFO and two directors of the Company participated in a private placement for a total of \$82,500 (412,500 units at \$0.20 per unit). The CFO subscribed for 12,500 units. Two directors subscribed for 400,000 units.

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

The significant non-cash transactions for the nine months ended November 30, 2022:

- a) Issuance of finders' warrants with a total value of \$20,051;
- b) Issued 8,000,000 shares of the Company valued at \$800,000 to acquire Hansen Gold Property.

The significant non-cash transactions for the period ended November 30, 2021:

- a) Issuance of finders' warrants with a total value of \$27,059.
- b) Issuance of options with a total value of \$254,243.

**14. SUBSEQUENT EVENTS**

On December 12, 2022, the Company closed its \$0.23 flow-through unit private placement financing for aggregate gross proceeds of \$598,000. The Company issued 2,600,000 \$0.23 flowthrough units ("FT Units"), each FT Unit being comprised of 1 flow through common share of the Company and one half of a common share purchase warrant, each full warrant being exercisable for an additional non flow-through common share of the Company at \$0.40 for 24 months. Cash finder's fees totaling \$47,846 were paid and 208,000 broker warrants, exercisable at \$0.23 for 24 months were issued. The Company will use an amount equal to the gross proceeds received by the Company from the sale of the FT Units, pursuant to the provisions in the Income Tax Act (Canada), to incur eligible "Canadian exploration expenses" that qualify as "flow-through mining expenditures" as both terms are defined in the Income Tax Act (Canada) (the "Qualifying Expenditures") on or before December 31, 2023, and to renounce all of the Qualifying Expenditures in favour of the subscribers of the FT Units effective December 31, 2022.