FIRST TELLURIUM

Essential Metals for a Sustainable Future

FIRST TELLURIUM CORP.

FINANCIAL STATEMENTS

For the years ended July 31, 2022 and 2021

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
First Tellurium Corp.

Opinion

We have audited the accompanying financial statements of First Tellurium Corp. (the "Company"), which comprise the statements of financial position as at July 31, 2022 and 2021, and the statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2022 and 2021, and its financial performance and its 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 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 financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that the Company incurred ongoing losses. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may 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 obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 financial statements, including the disclosures, and whether the 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 on the audit resulting in this independent auditor's report is Guy Thomas.

Davidson & Company LLP

Vancouver, Canada | Chartered Professional Accountants

November 28, 2022

FIRST TELLURIUM CORP.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at July 31,

	Note		**2022**		2021
Assets					
Current Assets					
Cash		$	**1,005,635**	$	**2,504**
Receivables	4		**40,786**		**20,223**
Prepaid expenses	5,14		**85,492**		**1,079**
			1,131,913		**23,806**
Equipment	6		**22,219**		**3,830**
Right-of-use asset	7		**6,800**		**5,864**
Exploration and evaluation assets	9		**129,095**		**63,770**
Reclamation deposit	8		**136,212**		**85,212**
Investment in associated companies	10		**38,820**		**36,785**
		$	**1,465,059**	$	**219,267**
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities	11	$	**186,065**	$	**186,531**
Lease liability	7		**6,891**		**5,942**
Loans payable	12		**182,000**		**182,000**
Flow through premium liability	13		**24,000**		**-**
Due to related parties	14		**2,151**		**350,965**
			401,107		**725,438**
Shareholders' Equity (Deficiency)					
Share capital	13		**18,894,239**		**15,530,514**
Share-based payments reserve			**686,141**		**529,908**
Share subscriptions	13		**13,840**		**13,840**
Share subscriptions receivable	13		**(32,000)**		**-**
Deficit			**(18,498,268)**		**(16,580,433)**
			1,063,952		**(506,171)**
		$	**1,465,059**	$	**219,267**

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Note 19)

On behalf of the Board:

" Tyrone Docherty "
Director

"Tony Fogarassy "
Director

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

FIRST TELLURIUM CORP.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
For the years ended July 31

	Note		2022		2021
Expenses					
Advertising and promotion		$	601,997	$	2,867
Consulting fees	14		117,150		60,150
Depreciation	6,7		7,960		8,164
Equity (income) loss pick-up	10		12,665		(3,025)
Exploration and evaluation expenditures	9		8,703		15,800
Interest expense	7, 12		42,681		21,908
Investor relations and shareholder information			580,992		16,036
Loss on settlement of debt	13,14		-		74,277
Management fees	14		201,000		130,000
Office and miscellaneous	14		48,647		50,590
Professional fees			58,887		67,093
Regulatory and filing fees			80,755		20,120
Share-based payments	13,14		156,233		17,169
Travel			165		1,470
Loss and comprehensive loss for the year		$	(1,917,835)	$	(482,619)
Basic and diluted loss per share		$	(0.04)	$	(0.02)
Weighted average shares outstanding			47,762,899		30,928,363

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

FIRST TELLURIUM CORP.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian Dollars)

	Number of common shares	Share Capital	Share Subscriptions Receivable	Share Subscriptions	Share-based payments reserve	Deficit	Total shareholders' equity (deficiency)
Balance, July 31, 2020	**28,443,431**	**$15,262,754**	**$ -**	**$ 13,840**	**$ 545,347**	**$ (16,126,939)**	**$ (304,998)**
Private placement	2,800,000	140,000	-	-	-	-	140,000
Shares for debt	1,000,000	65,000	-	-	59,277	-	124,277
Reversal of expired warrants	-	62,760	-	-	(62,760)	-	-
Stock options expired	-	-	-	-	(29,125)	29,125	-
Share based compensation	-	-	-	-	17,169	-	17,169
Loss and comprehensive loss for the year	-	-	-	-	-	(482,619)	(482,619)
Balance, July 31, 2021	**32,243,431**	**$ 15,530,514**	**$ -**	**$ 13,840**	**$ 529,908**	**$ (16,580,433)**	**$ (506,171)**
Private placements	22,950,000	1,944,000	(2,000)	-	-	-	1,942,000
Flow-through premium	-	(24,000)	-	-	-	-	(24,000)
Share issue costs – cash	-	(3,525)	-	-	-	-	(3,525)
Exercise of warrants	14,057,500	1,406,250	(30,000)	-	-	-	1,376,250
Exercise of stock options	400,000	41,000		-	-	-	41,000
Share based compensation	-	-	-	-	156,233	-	156,233
Loss and comprehensive loss for the year	-	-		-	-	(1,917,835)	(1,917,835)
Balance, July 31, 2022	**69,650,931**	**$ 18,894,239**	**$ (32,000)**	**$ 13,840**	**$ 686,141**	**$ (18,498,268)**	**$ 1,063,952**

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

FIRST TELLURIUM CORP.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
For the years ended July 31,

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (1,917,835)	$ (482,619)
Items not involving cash:		
Depreciation	7,960	8,164
Equity (income) loss pick up	12,664	(3,025)
Share-based payments	156,233	17,169
Interest expense	41,682	18,006
Loss on settlement of debt	-	74,277
Changes in non-cash working capital balances:		
Decrease (increase) in receivables	(20,562)	(8,523)
Decrease (increase) in prepaid expenses	(84,411)	21,470
Increase (decrease) in due to related party	(348,814)	169,420
Increase (decrease) in accounts payable and accrued liabilities	(40,624)	15,199
Cash flows used in operating activities	(2,193,707)	(170,462)
CASH FLOWS FROM INVESTING ACTIVITIES		
Distribution from (advance to) equity investment	(14,700)	9,700
Property option payment	(65,325)	(63,770)
Reclamation deposit	(51,000)	
Purchase of equipment	(19,100)	-
Cash flows used in financing activities	(150,125)	(54,070)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital	1,942,000	140,000
Exercise of warrants	1,376,250	-
Share issue costs	(3,525)	-
Exercise of stock options	41,000	-
Loan repayment	-	(25,000)
Lease payments	(8,762)	(8,256)
Cash flows provided from financing activities	3,346,963	106,744
Increase (decrease) in cash during year	1,003,131	(117,788)
Cash, beginning of year	2,504	120,292
Cash, end of year	$ 1,005,635	$ 2,504

Supplemental non-cash investing and financing activities:		
Transfer expired equity options to deficit	$ -	$ 29,125
Transfer expired warrants to share capital	-	62,760
Units issued for debt settlement	-	124,276
Shares subscriptions receivable	32,000	-
Flow-through premium allocation	24,000	-
Lease recognition	8,186	7,826

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

NOTE 1 - NATURE OF OPERATIONS AND GOING CONCERN

First Tellurium Corp. ("First Tellurium" or the "Company") was incorporated under the *Business Corporations Act* (Canada) and continued into British Columbia pursuant to the *Business Corporations Act* (British Columbia, Canada). The Company's head office and principal place of business is 381 – 1440 Garden Place, Delta, British Columbia, Canada. The Company is a reporting issuer in the provinces of British Columbia, Alberta and Ontario, Canada and trades on the Canadian Securities Exchange under the symbol "FTEL". The Company has interests in exploration and evaluation assets in British Columbia and its principal business is the exploration of those assets.

These financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. Management believes that the Company's working capital at July 31, 2022, is not sufficient to finance operations through the next twelve months. The Company has incurred ongoing losses. The Company's ability to continue on a going concern basis depends on its ability to successfully raise additional financing. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

During the year ended July 31, 2020, there was a global outbreak of a novel coronavirus identified as "COVID-19" and it was declared a pandemic by the World Health Organization in March 2020. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy, capital markets and First Tellurium's financial position cannot be reasonably estimated at this time. First Tellurium continues to monitor developments and will adapt its business plans accordingly. The actual or threatened continued spread of COVID-19 globally could adversely impact the Company's ability to carry out its plans and raise capital.

NOTE 2 – BASIS OF PRESENTATION

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The policies applied in these financial statements are based on the IFRS issued and outstanding as at July 31, 2022.

The financial statements were authorized by the Audit Committee and Board of Directors of the Company on November 28, 2022.

Basis of measurement

These financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of certain financial instruments.

Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The use of estimates, judgments and assumptions are all interrelated. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

NOTE 2 – BASIS OF PRESENTATION *(continued)*

Estimates, judgments and assumptions that could have a significant impact on the amounts recognized in the financial statements are summarized below. Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results could differ from these estimates.

a) **Investment in associated company**

The accounting for investments in other companies can vary depending on the degree of control and influence over those other companies. Management is required to assess at each reporting period the Company's control and influence over these other companies. Management has used its judgment to determine which companies are controlled and require consolidation and those which are significantly influenced and require equity accounting. The Company has considered its ownership positions in Cheona Metals Inc. and Cheona Health Inc. and concluded that because it does not have the ability to control the key operating activities of either entity, it does not have control and should account for them as equity investments (Note 10).

The Company accounts for its investments in associated companies over which it has significant influence using the equity method of accounting, whereby the investment is initially recorded at cost, adjusted to recognize the Company's share of earnings or losses and reduced by dividends received.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

a) **Basis of consolidation:**

Control exists when the Company possesses power over an investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affect its returns. Intercompany balances and transactions, and any income and expenses arising from intercompany transactions, are eliminated in preparing these financial statements, which include investments in associated companies.

b) **Equipment:**

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recorded over the estimated useful lives of the assets on the declining balance basis at the following annual rates:

Furniture, fixtures and equipment	20% declining balance

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of equipment is composed of major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c) **Exploration and evaluation assets:**

Upon acquiring the legal right to explore an exploration and evaluation asset, all direct costs related to the acquisition of exploration and evaluation assets are capitalized. Exploration and evaluation expenditures are expensed as incurred.

Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves. When there is little prospect of further work on a property being carried out by the Company, the remaining deferred costs associated with that property are charged to profit or loss during the period such determination is made.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

d) **Restoration, rehabilitation and environmental obligations:**

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of a 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, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the Company operates.

A liability is recognized for legal obligations relating to the restoration, rehabilitation and retirement of property, plant or equipment obligations arising from the acquisition, construction, development or normal operation of those assets. Such decommissioning liabilities are recognized at fair value, when a reasonable estimate of fair value can be made, in the period in which the liability is incurred. A corresponding increase to the carrying amount of the related asset where one is identifiable is recorded and amortized over the life of the asset. Where a related asset is not easily identifiable with a liability, the change in fair value over the course of the year is expensed. The amount of the liability is subject to re-measurement at each reporting period. The estimates are based principally on legal and regulatory requirements.

It is possible that the Company's estimate of its ultimate reclamation liabilities could change as a result of changes in regulations; the extent of environmental remediation required or completed and the means of reclamation or changes in cost estimates. Changes in estimates are accounted for prospectively commencing in the period the estimate is revised.

e) **Related party transactions:**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f) **Share-based compensation:**

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The fair value is measured at grant date and each tranche is recognized over the periods during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Share-based compensation to non-employees, who are not providing similar services to employees, are measured at the grant date by using the fair value of the goods or services when received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services received cannot be reliably measured.

g) **Income taxes:**

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the financial position reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the financial position reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. No deferred tax assets have been recognized for the years presented.

h) **Earnings (loss) per share:**

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i) **Financial instruments:**

Non-derivative Financial Instruments
Non-derivative financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has substantially transferred all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

Fair Value Through Profit or Loss
A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in profit or loss. Gains and losses arising from changes in fair value are presented in profit or loss within other gains and losses in the period in which they arise.

Financial assets and liabilities at fair value through profit or loss ("FVTPL") are classified as current except for the portion expected to be realized or paid beyond twelve months of the statement of financial position date, which is classified as non-current. Cash is classified as FVTPL.

Amortized cost
Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date. Receivables and reclamation deposits are classified as amortized cost.

Financial Liabilities
Financial liabilities are initially recorded at fair value and subsequently measured at amortized cost, unless they are required to be measured at FVTPL (such as derivatives) or the Company has elected to measure at FVTPL. The Company's financial liabilities include accounts payable and accrued liabilities, loans payable, lease liability and due to related parties which are classified at amortized cost.

Impairment of financial assets
The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

Impairment of non-financial assets
The Company's assets are reviewed for indications of impairment at each statement of financial position's date. If indication of impairment exists, the asset's recoverable amount is estimated.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i) **Financial instruments** *(continued)***:**

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

j) **Leases**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right-of-use asset is depreciated over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments include fixed payments that are based on a rate.

k) **Provisions**

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

l) **Investment in associated company**

The Company accounts for its long term investments in affiliated companies over which it has significant influence using the equity basis of accounting, whereby the investment is initially recorded at cost, and increased for any capital additions (including long terms advances where repayment is unlikely) adjusted to recognize the Company's share of earnings or losses and reduced by dividends received.

The Company assesses its equity investments for impairment if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the equity investment and that the event or events has an impact on the estimated future cash flow of the investment that can be reliably estimated. Objective evidence of impairment of equity investments include:

- Significant financial difficulty of the associated companies;
- Becoming probable that the associated companies will enter bankruptcy or other financial reorganization; or,
- National or local economic conditions that correlate with defaults of the associated companies.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES *(continued)*

m) **Valuation of equity units issued in private placements**

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements is determined to be the more easily measurable component and are valued at their fair value. The balance, if any, is allocated to the attached warrants. Any value attributed to the warrants is recorded in reserves.

m) **New accounting standards**

There were no new accounting standards or amendments to standards that were applicable to the Company for the year ended July 31, 2022 nor does the Company expect any that have not yet become effective to have a significant impact on its financial statements

NOTE 4 – RECEIVABLES

	As at July 31, 2022	As at July 31, 2021
Amounts due from the Government of Canada pursuant to GST input tax credits	**$ 40,786**	$ 20,223
Total	**$ 40,786**	$ 20,223

NOTE 5 – PREPAID EXPENSES

	As at July 31, 2022	As at July 31, 2021
Prepaid expenses	**$ 85,492**	$ 1,079
Total	**$ 85,492**	$ 1,079

NOTE 6 – EQUIPMENT

	Equipment	
Cost:		
Balance at July 31, 2020	$	23,753
Additions		-
Balance at July 31, 2021		23,753
Additions		19,100
Balance at July 31, 2022	$	42,853
Accumulated depreciation:		
Balance at July 31, 2020	$	19,051
Depreciation		872
Balance at July 31, 2021		19,923
Depreciation		711
Balance at July 31, 2022	$	20,634
Carrying amounts:		
July 31, 2021	$	3,830
July 31, 2022	$	22,219

NOTE 7 – RIGHT-OF-USE ASSET AND LEASE LIABILITY

	ROU asset	Lease liability
Balance August 1, 2020	$ 5,330	$ 5,942
Depreciation expense	(7,292)	-
Lease extension	7,826	7,826
Interest expense	-	430
Payments	-	(8,256)
Balance at July 31, 2021	5,864	5,942
Depreciation expense	(7,250)	-
Lease extension	8,186	8,815
Interest expense	-	896
Payments	-	(8,762)
Balance at July 31, 2022	$ 6,800	$ 6,891

NOTE 8 – RECLAMATION DEPOSIT

The Company provided funding for deposits as security against potential future reclamation work related to the Deerhorn property (Note 9).

	As at July 31, 2022	As at July 31, 2021
Reclamation deposit: Deerhorn property	**$ 136,212**	$ 85,212

NOTE 9 – EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation acquisition costs

	2020	Additions	2021	Additions	2022
Deer Horn	$ -	$ -	$ -	$ -	$ -
Colorado Klondike	-	63,770	63,770	65,325	129,095
	$ -	$ 63,770	$ 63,770	$ 65,325	$ 129,095

Exploration and evaluation expenditures

	Deerhorn	Colorado Klondike	As at July 31, 2022	As at July 31, 2021
Geological consulting	$ 1,597	$ -	$ 1,597	$ 8,883
Other	3,660	3,446	7,106	6,917
Total exploration expense	$ 5,297	$ 3,646	$ 8,703	$ 15,800

Deerhorn property

The Company owns a 50% interest in the Deerhorn property, located in north western British Columbia, acquired from a company related by virtue of common directors. It may acquire an additional 25% interest by incurring all costs required to bring the property to commercial production.

Colorado Klondike property

During fiscal 2021, the Company entered into an option agreement to acquire a 100% interest in the Colorado Klondike property, located in south-central Colorado, USA, from Colorado Klondike LLC. The terms of the agreement include consideration for an aggregate US$260,000 (approximately US$50,000 per year) cash and the incurrence of an aggregate US$300,000 in exploration expenditures on the property within five years, at which time the option may be fully exercised upon an additional payment of US$1,200,000, or the higher real estate appraised value, to a maximum of US$1,500,000. Upon full exercise of the option Colorado Klondike LLC will retain a 3% net smelter returns royalty ("NSR"), with the Company reserving the right to buy-back a 1% NSR for consideration of US$1,000,000. The Company will also be required to pay an advance royalty payment of US$60,000 per annum commencing on the first anniversary of the completion of the acquisition. The Company has paid an initial US$50,000 ($63,770) and first year payment of US$50,000 ($65,325) to the Optionor.

NOTE 10 – INVESTMENT IN ASSOCIATED COMPANIES

The Company has a 49% investment in two private companies, Cheona Metals Inc. and Cheona Health Inc., which are classified as long-term investments. As the Company owns a 49% interest in each entity and maintains significant influence, but not control, the Company accounts tor these investments under the equity method. Cheona Health Inc. is inactive and valued at $nil.

NOTE 10 – INVESTMENT IN ASSOCIATED COMPANIES *(continued)*

The following table is a reconciliation of the investment in Cheona Metals Inc.:

Investment in Cheona Metals Inc.	
Balance at July 31, 2020	$ 43,460
Distribution	(9,700)
Share of income	3,025
Balance at July 31, 2021	$ 36,785
Additions	14,700
Share of loss	(12,665)
Balance at July 31, 2022	$ 38,820

The following table summarizes Cheona Metals Inc.'s statement of financial position:

As at July 31,	**2022**	**2021**
Current assets	$ 23,054	$ 34,199
Current liabilities	(57,500)	(42,800)
Net liabilities at July 31,	$ (34,446)	$ (8,601)

The following table summarizes Cheona Metals Inc.'s income and expenses for the year

As at July 31,	**2022**	**2021**
Income	$ -	$ 30,215
Expenses	(25,844)	(23,325)
Net liabilities at July 31,	$ (25,844)	$ 6,890

The following table summarizes Cheona Health Inc.'s statement of financial position:

As at July 31,	**2022**	**2021**
Current assets	$ 556	$ 550
Current liabilities	(12,433)	(12,424)
Net liabilities at July 31,	$ (11,877)	$ (11,874)

The following table summarizes Cheona Health Inc.'s income and expenses for the year:

As at July 31,	**2022**	**2021**
Income	$ -	$ -
Expenses	(2)	(717)
Net liabilities at July 31,	$ (2)	$ (717)

NOTE 11 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at July 31, 2022	As at July 31, 2021
Trade payables	$ 35,598	$ 85,230
Other accrued liabilities	150,467	101,301
Total	$ 186,065	$ 186,531

NOTE 12 – LOANS PAYABLE

In fiscal 2016 the Company issued debenture loans in the principal amount of $182,000. The loans bear an annual interest rate of 10% and matured on March 2, 2021. The Company recorded interest expense of $40,158 (2021 - $18,155) in relation to the accrued interest on the debenture loans and is included in accounts payable and accrued liabilities.

In fiscal 2018, the Company made the required interest payments under the loan agreements, however the Company has not received a waiver of non-payment, accordingly, the loans have been presented as current. Interest payments for the further periods remain outstanding. The Company is therefore currently in default for interest payments due.

In fiscal 2021, the Company repaid other unsecured loans outstanding for the year of $25,000.

NOTE 13 – SHARE CAPITAL

a) **Authorized:** An unlimited number of common shares without par value.

b) **Share issuance:**

Fiscal 2022

On October 15, 2021, the Company completed the first tranche of a non-brokered private placement, issuing 5,825,000 units at a price of $0.08 per unit for total proceeds of $466,000. Each unit consisted of one common share and one common share purchase warrant exercisable at $0.12 per share for a period of two years. No value was attributed to the warrant portion of the units.

On November 2, 2021, the Company completed the second tranche of a non-brokered private placement, issuing 6,350,000 units at a price of $0.08 per unit for total proceeds of $508,000. Each unit consisted of one common share and one common share purchase warrant exercisable at $0.12 per share for a period of two years. No value was attributed to the warrant portion of the units.

On November 16, 2021, the Company completed the third tranche of a non-brokered private placement, issuing 3,000,000 units at a price of $0.08 per unit for total proceeds of $240,000. Each unit consisted of one common share and one common share purchase warrant exercisable at $0.12 per share for a period of two years. No value was attributed to the warrant portion of the units.

On November 26, 2021, the Company completed the fourth and final tranche of a non-brokered private placement, issuing 7,375,000 units at a price of $0.08 per unit for total proceeds of $590,000. Each unit consisted of one common share and one common share purchase warrant exercisable at $0.12 per share for a period of two years. No value was attributed to the warrant portion of the units. The Company incurred $3,525 in share issuance costs in connection with the private placement. In connection with this final tranche, a subscription receivable of $2,000 has been recorded.

NOTE 13 – SHARE CAPITAL *(continued)*

b) **Share issuance (continued):**

Fiscal 2022 (continued)

On December 30, 2021, the Company completed a non-brokered private placement, issuing 400,000 flow-through units at a price of $0.35 per unit for total proceeds of $140,000. Each unit consisted of one flow-through common share and one common share purchase warrant exercisable at $0.45 per share for a period of two years. No value was attributed to the warrant portion of the units. The Company recorded a flow through share premium liability of $24,000 in connection with the issuance of the flow-through shares.

During fiscal 2022 the Company issued 14,057,500 common shares on the exercise of warrants and 400,000 common shares on the exercise of stock options for gross proceeds of $1,447,250 of which $30,000 is included in subscriptions receivable.

Fiscal 2021

On November 6, 2020, the Company completed a debt settlement transaction, issuing 1,000,000 units to settle debt of $50,000. Each unit consisted of one common share and one common share purchase warrant exercisable at $0.10 per share for a period of two years. The common shares were issued with a fair value of $65,000 and the warrants were issued with a fair value of $59,277. The Company recognized a loss of $74,277 on the settlement of debt.

On November 6, 2020, the Company completed the first tranche of a non-brokered private placement, issuing 1,600,000 units at a price of $0.05 per unit for total proceeds of $80,000. Each unit consisted of one common share and one common share purchase warrant exercisable at $0.10 per share for a period of two years. No value was attributed to the warrant portion of the units.

On December 11, 2020, the Company completed the second and final tranche of a non-brokered private placement, issuing 1,200,000 units at a price of $0.05 per unit for total proceeds of $60,000. Each unit consisted of one common share and one common share purchase warrant exercisable at $0.10 per share for a period of two years. No value was attributed to the warrant portion of the units.

c) **Stock Options**

The Company is authorized to grant options to executive officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company, on a rolling basis. Options may be granted at an exercise price of no less than a 25% discount of the market price on the date of the grant, or such higher price as determined by the board of directors. Options can be granted for a maximum term of ten years. Vesting may be set on an individual basis as determined by the board of directors.

As at July 31, 2022, all outstanding stock options were vested and exercisable, with a weighted average exercise price of $0.11.

NOTE 13 – SHARE CAPITAL *(continued)*

c) **Stock Options (continued):**

The continuity for stock options for the year ended July 31, 2022, is as follows:

Number outstanding July 31, 2021	Granted	Exercised	Expired/ Cancelled	**Number outstanding July 31, 2022**	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
850,000	-	(100,000)	-	**750,000**	$0.14	April 5, 2028	5.68
100,000	-	(100,000)	-	**-**	$0.05	January 27, 2030	-
1,050,000	-	-	-	**1,050,000**	$0.10	March 6, 2030	7.60
150,000	-	-	-	**150,000**	$0.10	August 6, 2030	8.02
-	850,000	(100,000)		**750,000**	$0.11	October 1, 2031	9.17
-	700,000	(100,000)		**600,000**	$0.11	October 18, 2031	9.22
2,150,000	1,550,000	(400,000)	-	**3,300,000**	$0.11	*(weighted average)*	7.84
				Exercisable			
$0.11	$0.11	$0.10	-	**3,300,000**	$0.11	*(weighted average)*	-

The continuity for stock options for the period ended July 31, 2021, is as follows:

Number outstanding July 31, 2020	Granted	Exercised	Expired/ Cancelled	**Number outstanding July 31, 2021**	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
120,000	-	-	(120,000)	**-**	$0.25	June 16, 2021	-
850,000	-	-	-	**850,000**	$0.14	April 5, 2028	6.69
100,000	-	-	-	**100,000**	$0.05	January 27, 2030	8.21
1,050,000	-	-	-	**1,050,000**	$0.10	March 6, 2030	8.58
-	150,000	-	-	**150,000**	$0.10	August 6, 2030	9.02
2,120,000	150,000	-	(120,000)	**2,150,000**	$0.11	*(weighted average)*	7.85
				Exercisable			
$0.12	$0.10	-	$0.25	**2,150,000**	$0.11	*(weighted average)*	-

d) **Share-based compensation**

Fiscal 2022

The fair value of each option granted to employees, officers and directors was estimated on the date of grant using the Black-Scholes option pricing model.

During the year ended July 31, 2022, the Company recorded $156,233 in share based compensation pursuant to options granted.

The fair value of 850,000 options granted on October 1, 2021 with an exercise price of $0.11 was determined using a risk free interest rate of 1.47%, an expected volatility of 197%, an expected life of ten years and an expected dividend rate of zero, resulting in a fair value of $93,346 or $0.11 per option.

The fair value of 700,000 options granted on October 18, 2021 with an exercise price of $0.11 was determined using a risk free interest rate of 1.58%, an expected volatility of 198%, an expected life of ten years and an expected dividend rate of zero, resulting in a fair value of $62,887 or $0.09 per option.

NOTE 13 – SHARE CAPITAL *(continued)*

d) **Share-based compensation**

Fiscal 2021

During the year ended July 31, 2021, the Company recorded $17,169 in share based compensation pursuant to options granted.

The fair value of 150,000 options granted on August 6, 2020 with an exercise price of $0.10 was determined using a risk free interest rate of 0.12%, an expected volatility of 177%, an expected life of ten years and an expected dividend rate of zero, resulting in a fair value of $17,169 or $0.11 per option.

e) **Share-purchase warrants:**

The continuity for share purchase warrants for the year ended July 31, 2022 is as follows:

Number outstanding July 31, 2021	Granted	Exercised	Expired/ Cancelled	**Number outstanding July 31, 2022**	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
2,182,500	-	(2,082,500)	(100,000)	**-**	$0.10	January 27, 2022	-
3,050,000	-	(2,750,000)	(300,000)	**-**	$0.10	March 13, 2022	-
1,300,000	-	(1,300,000)	-	**-**	$0.10	February 26, 2022	-
1,600,000	-	(1,600,000)	-	**-**	$0.10	February 19, 2022	-
2,300,000	-	(2,300,000)	-	**-**	$0.10	February 19, 2022	-
2,000,000	-	(1,600,000)	(400,000)	**-**	$0.10	June 1, 2022	-
1,000,000	-	(1,000,000)	-	**-**	$0.10	November 6, 2022	0.27*
1,600,000	-	(1,400,000)	-	**200,000**	$0.10	November 6, 2022	0.27*
1,200,000	-	-	-	**1,200,000**	$0.10	December 11, 2022	0.36
-	5,825,000	-	-	**5,825,000**	$0.12	October 13, 2023	1.20
-	6,350,000	-	-	**6,350,000**	$0.12	October 29, 2023	1.25
-	3,000,000	-	-	**3,000,000**	$0.12	November 12, 2023	1.28
-	7,375,000	(25,000)	-	**7,350,000**	$0.12	November 26, 2023	1.32
-	400,000	-	-	**400,000**	$0.45	January 17, 2024	1.47
16,232,500	22,950,000	(14,057,500)	(800,000)	**24,325,000**	$0.12	*(weighted average)*	1.22
$0.10	$0.13	$0.10	$0.10	Exercisable **24,325,000**	$0.12	-	-

*expired subsequent to year end, unexercised.

In connection with the exercise of warrants during fiscal 2022, a subscription receivable of $30,000 has been recorded.

NOTE 13 – SHARE CAPITAL *(continued)*

e) **Share-purchase warrants:**

The continuity for share purchase warrants for the year ended July 31, 2021 is as follows:

Number outstanding July 31, 2020	Granted	Exercised	Expired/ Cancelled	**Number outstanding July 31, 2021**	Exercise price per share	Expiry date	Weighted average remaining contractual life in years
2,182,500	-	-	-	**2,182,500**	$0.10	January 27, 2022	0.50
3,050,000	-	-	-	**3,050,000**	$0.10	March 13, 2022	0.62
1,300,000	-	-	-	**1,300,000**	$0.10	February 26, 2022	0.58
1,600,000	-	-	-	**1,600,000**	$0.10	February 19, 2022	0.56
2,300,000	-	-	-	**2,300,000**	$0.10	February 19, 2022	0.56
2,000,000	-	-	-	**2,000,000**	$0.10	June 1, 2022	0.84
-	1,000,000	-		**1,000,000**	$0.10	November 6, 2022	1.34
-	1,600,000	-		**1,600,000**	$0.10	November 6, 2022	1.34
-	1,200,000	-		**1,200,000**	$0.10	December 11, 2022	1.37
100,000	-	-	100,000	**-**	-	August 3, 2020	-
100,000	-	-	100,000	**-**	-	August 13, 2020	-
41,000	-	-	41,000	**-**	-	August 29, 2020	-
12,673,500	3,800,000	-	(241,000)	**16,232,500**	$0.10	*(weighted average)*	0.79
$0.11	$0.10	-	$0.60	Exercisable **16,232,500**	$0.10	-	-

NOTE 14 – RELATED PARTY TRANSACTIONS

a) The Company's related parties consist of companies with directors and officers in common and companies owned in whole or in part by executive officers, directors or close family members of those individuals as follows:

Name	Nature of transactions
Docherty Capital Corp. (Tyrone Docherty)	Management fees charged as CEO, expense allowances, share-based compensation
Saulnier Business Consulting LLP (Pamela Saulnier)	Management fees charged as CFO, expense allowances, share-based compensation
Josef Fogarassy	Consulting fees charged by a director, expense allowances, share-based compensation
Allen Schwabe	Directors fees
Matt Wayrynen	Directors fees

The Company incurred the following fees with individuals and / or companies owned, or partially owned, by key management which the Company defines as officers and directors.

For the year ended	July 31, 2022	July 31, 2021
Management fees CEO	$ 165,000	$ 90,000
Management fees CFO	36,000	30,000
Directors fees (included in management fees)	-	10,000
Consulting fees	60,000	60,000
Rent (included in office and miscellaneous)	18,000	18,000
Share-based compensation	52,911	-
Total	$ 331,911	$ 208,000

The Company owes amounts to key management personnel and other related parties as follows:

	As at July 31, 2022	As at July 31, 2021
Due to key management or companies controlled by key management personnel	$ 2,151	$ 350,965
Total	$ 2,151	$ 350,965

Balances owed to related parties are unsecured and non-interest bearing. Included in prepaid expenses $57,431 (2021 - $nil) paid to key management.

The Company's lease (Note 7) is for a vehicle used by the Company's CEO.

During fiscal 2021, the Company settled related party debt of $50,000 by way of issuance of units with a fair value of $124,277, resulting in a loss on settlement of debt of $74,277. The terms of the units and measurement of compensatory warrants are described in Note 13.

NOTE 15 – SEGMENTED INFORMATION

The Company operates in one business segment being the acquisition and exploration of exploration and evaluation assets in Canada and the United States, as described in note 9. Other long-term assets attributable to the geographical locations relate primarily to equipment and reclamation deposits in Canada.

NOTE 16 – INCOME TAXES

A reconciliation of current income taxes at statutory rates with reported taxes is as follows:

		2022		2021
Loss for the year	$	(1,917,835)	$	(482,619)
Expected income tax (recovery)		(518,000)		(130,000)
Change in statutory rates, and other		(11,000)		(2,000)
Permanent difference		47,000		22,000
Share issue cost		(1,000)		-
Change in unrecognized deductible temporary differences		483,000		106,000
Deferred income tax recovery	$	-	$	-

The significant components of the Company's deferred tax assets that have not been included on the statement of financial positions are as follows:

		2022		2021
Share issue costs	$	2,000	$	2,000
Allowable capital losses		513,000		513,000
Non-capital losses		3,407,000		2,927,000
Equipment		3,000		3,000
Marketable securities		2,000		-
Exploration and evaluation assets		1,062,000		1,061,000
Unrecognized deferred tax assets	$	4,989,000	$	4,506,000

The Company has non-capital losses of approximately $12,618,000 (2021 - $10,839,000) available for deduction against future taxable income. These losses, if not utilized, will expire through to 2042. The Company has resource expenditures of approximately $3,128,000 (2021 - $3,124,000) available for deduction against future taxable income. Deferred tax benefits which may arise as a result of these tax assets have not been recognized in these financial statements as it is not probable that they will be realized.

NOTE 17 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Classification of financial instruments

Financial instruments measured at fair value are classified into one of three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value ("FV") hierarchy has the following levels:

Level 1- quoted prices (unadjusted) 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 (ie. as prices) or indirectly (ie. derived from prices); and

Level 3- inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company`s financial instruments consist of cash, receivables, reclamation deposit, accounts payable and accrued liabilities, loans payable, lease liability and due to related parties.

Fair values

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The fair value of cash is measured at Level 1 of the fair value hierarchy. The carrying value of receivables, reclamation deposit, accounts payable and accrued liabilities, loans payable, lease liability and due to related parties approximate their fair value because of the short term nature of these instruments.

Financial instrument risk exposure and risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company considers the fluctuations of financial markets and seeks to minimize potential adverse effects on financial performance. The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process.

Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash, receivables and deposits. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The Company's receivables consist primarily of tax receivables due from federal government agencies. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

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 required funding through future equity issuances or debt financings. 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. The Company is exposed to liquidity risk.

NOTE 17 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

Interest rate risk

The Company has cash balances and debt. The Company's current policy is to invest excess cash in investment grade short-term demand deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its banks. The Company is marginally exposed to interest rate risk.

Foreign currency risk

The Company is not exposed to foreign currency risk.

Commodity price risk

The Company is nominally exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. 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 commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

NOTE 18 – CAPITAL MANAGEMENT

The Company manages common shares, stock options, and share purchase warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets, or adjust the amount of cash on hand.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

The Company does not pay out dividends at this time. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account. Cash consists of cash on hand, balances with banks and investments in highly liquid instruments, if any. The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents as the fair value approximates carrying value. There have been no changes to the Company's approach to capital management during the year ended July 31, 2022. The Company is not subject to externally imposed capital requirements.

NOTE 19 – SUBSEQUENT EVENTS

Subsequent to July 31, 2022, the Company:

a) granted 100,000 incentive stock options to a consultant of the Company, exercisable at a price of $0.19 per share for a period of 10 years.

b) issued 2,600,000 flow-through shares for gross proceeds of $364,000 and 400,000 units for gross proceeds of $40,000. Each unit consisted of one common share and one share purchase warrant. Each warrant is exercisable at a price of $0.15 for a period of two years.