

RADIO FUELS ENERGY CORP.
(formerly Mainstream Minerals Corporation)

Condensed Interim Consolidated Financial Statements

For the three and six months ended May 31, 2022 and 2021

(in Canadian dollars, unless otherwise stated)

(unaudited)

Notice of No Auditor Review of Condensed Interim Consolidated 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 interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

RADIO FUELS ENERGY CORP.

(formerly Mainstream Minerals Corporation)

Condensed Interim Consolidated Statements of Financial Position (unaudited)

(in Canadian dollars)

	May 31, 2022	November 30, 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 3,922,594	\$ 175,363
Marketable securities (Note 5)	18,293,587	549,416
Other receivables (Note 6)	17,264	35,436
Prepaid expenses	155,921	333,151
Restricted cash (Note 9)	-	25,482,792
	22,389,366	26,576,158
Exploration and evaluation assets (Note 7)	20,435,404	-
Total assets	\$ 42,824,770	\$ 26,576,158
Liabilities		
Current liabilities		
Trade payables and accrued liabilities (Note 8)	\$ 89,632	\$ 504,984
Subscription receipts (Note 9)	-	25,462,307
Total liabilities	89,632	25,967,291
Equity		
Share capital (Note 9)	46,110,625	10,627,319
Contributed surplus (Note 10)	12,958,173	-
Deficit	(16,333,660)	(10,018,452)
Total equity	42,735,138	608,867
Total liabilities and equity	\$ 42,824,770	\$ 26,576,158

Nature of operations (Note 1)

Approved on behalf of the board:

Director "Denis Laviolette" (signed)

Director "Jack Campbell" (signed)

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

RADIO FUELS ENERGY CORP.

(formerly Mainstream Minerals Corporation)

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss (*unaudited*)

(in Canadian dollars)

	Three months ended May 31,		Six months ended May 31	
	2022	2021	2022	2021
Expenses:				
Consulting fees (Note 11)	\$ 120,500	\$ 30,000	\$ 799,197	\$ 60,000
Professional fees	27,908	34,638	67,928	53,972
Investor relations, regulatory and filing fees	152,159	1,018	314,225	5,914
Office and general	4,504	312	7,325	370
Stock-based compensation	3,147,970	-	3,147,970	-
Exploration and evaluation expenditures	-	-	4,105	-
	(3,453,041)	(65,968)	(4,340,750)	(120,256)
Unrealized loss on marketable securities	(1,650,830)	(358,797)	(880,177)	(991,974)
Realized loss on disposition of marketable securities	(1,193,944)	-	(1,193,944)	-
Foreign exchange gain	12,998	-	12,998	-
Other income	67,338	-	86,665	-
Net loss and comprehensive loss for the period	\$(6,217,479)	\$ (424,765)	\$(6,315,208)	\$(1,112,230)
Basic and diluted loss per share (Note 9 (c))	\$ (0.04)	\$ (0.02)	\$ (0.05)	\$ (0.08)

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

RADIO FUELS ENERGY CORP.

(formerly Mainstream Minerals Corporation)

Condensed Interim Consolidated Statements of Changes in Equity (unaudited)

For the six months ended May 31, 2022 and 2021 (in Canadian dollars)

	Number of common shares	Share capital	Contributed Surplus	Accumulated Deficit	Total
Balance at December 1, 2021	17,319,233	\$ 10,627,319	\$ -	\$ (10,018,452)	\$ 608,867
Shares issued on private placements (Note 9(b))	63,707,024	25,482,810	-	-	25,482,810
Shares issued on acquisition of Radio Fuels Resources Corp. (Note 9(b))	58,823,529	20,000,000	-	-	20,000,000
Shares issued on acquisition of exploration and evaluation asset (Note 9(b))	2,000,000	680,000	-	-	680,000
Cost of issuance - cash	-	(909,301)	-	-	(909,301)
Cost of issuance - units	100,000	24,861	15,139	-	40,000
Cost of issuance - broker warrants	-	(150,642)	150,642	-	-
FMV of warrants issued	-	(9,644,422)	9,644,422	-	-
FMV of stock options granted	-	-	3,147,970	-	3,147,970
Comprehensive loss for the period	-	-	-	(6,315,208)	(6,315,208)
Balance at May 31, 2022	141,949,786	\$ 46,110,625	\$ 12,958,173	\$ (16,333,660)	\$ 42,735,138

	Number of common shares	Share capital	Contributed Surplus	Accumulated Deficit	Total
Balance at December 1, 2020	10,342,042	\$ 8,255,074	\$ -	\$ (8,505,663)	\$ (250,589)
Shares issued on private placement (Note 9(b))	1,764,773	600,023	-	-	600,023
Shares issued pursuant to Share Exchange Agreements (Note 9(b))	5,212,418	1,772,222	-	-	1,772,222
Comprehensive loss for the period	-	-	-	(1,112,230)	(1,112,230)
Balance at May 31, 2021	17,319,233	\$ 10,627,319	\$ -	\$ (9,617,893)	\$ 1,009,426

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

RADIO FUELS ENERGY CORP.

(formerly Mainstream Minerals Corporation)

Condensed Interim Consolidated Statements of Cash Flows (unaudited)

For the six months ended May 31, 2022 and 2021 (in Canadian dollars)

	2022	2021
Operating activities		
Comprehensive loss for the period	\$ (6,315,208)	\$ (1,112,230)
Adjustment for:		
Unrealized loss on marketable securities	880,177	991,974
Realized loss on sale of marketable securities	1,193,944	-
Stock-based compensation	3,147,970	-
Change in non-cash operating working capital		
Other receivables	18,172	1,426
Prepaid expenses	177,230	683
Trade payables and accrued liabilities	(395,084)	122,946
	(1,292,799)	4,799
Investing activities		
Cash acquired from Radio Fuels Resources Corp.	284,812	-
Purchase of marketable securities	(20,494,924)	-
Proceeds from disposition of marketable securities	676,633	-
	(19,533,479)	-
Financing activities		
Proceeds from share issuance, net of issuance costs	24,573,509	600,023
	24,573,509	600,023
Increase in cash and cash equivalents	3,747,231	604,822
Cash and cash equivalents, beginning of period	175,363	841
Cash and cash equivalents, end of period	\$ 3,922,594	\$ 605,663

Supplementary information:

The Company did not pay any income taxes during the above reporting periods.

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

RADIO FUELS ENERGY CORP.

(formerly Mainstream Minerals Corporation)

Notes to the Condensed Interim Consolidated Financial Statements (*unaudited*)

For the three and six months ended May 31, 2022 and 2021 (*in Canadian dollars*)

1. Nature of Operations

Radio Fuels Energy Corp. (the “Company”) is incorporated in Canada pursuant to the Canada Business Corporations Act on July 19, 2006. The Company is a mineral resource company in the development stage that is engaged in the acquisition of interests in, and in the exploration of, mineral resource properties.

On December 15, 2021, the Company completed a transaction pursuant to the terms of a share purchase agreement dated September 14, 2021 (the “Share Purchase Agreement”) with Radio Fuels Resources Corp. (“Radio Fuels Resources”) and the shareholders of Radio Fuels Resources (collectively, the “Vendors”). Pursuant to the Share Purchase Agreement, the Company has agreed to acquire all of the issued and outstanding shares of Radio Fuels Resources (the “Transaction”). As consideration for the Transaction, the Company issued an aggregate of 58,823,529 common shares in the capital of the Company (the “Consideration Shares”) at a deemed price of \$0.34 per Consideration Share to the Vendors.

The Company’s common shares are trading on the Canadian Securities Exchange (the “CSE”) under the symbol CAKE and OTC Markets under the symbol CKEFF. The registered office, records, mailing address of the Company is located at 401 – 217 Queen Street West, Toronto, Ontario M5V 0R2.

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus, also known as “COVID-19”, a worldwide pandemic. The pandemic has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve. The COVID-19 pandemic has not resulted in any material impact on the current operations and the Company currently does not expect it will impact its 2022 operations. Preventative measures are in place to ensure the well-being of employees and contractors and no risks were noted at the end of the year. Management continues to monitor the situation at the corporate office to identify any issues that may affect operational or financial reporting activities.

2. Basis of presentation

(a) Statement of compliance

These condensed interim consolidated financial statements of Radio Fuels Energy Corp. and its subsidiaries have been prepared in accordance with IAS 34, Interim Financial Reporting. These condensed interim consolidated financial statements do not include all notes of the type normally included within the annual financial report and should be read in conjunction with the audited consolidated financial statements of the Company for the year ended November 30, 2021 and 2020, which has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

These condensed interim consolidated financial statements of the Company for the three and six months ended May 31, 2022 and 2021 were approved and authorized for issue by the Board of Directors on July 12, 2022.

(b) Basis of consolidation

The condensed interim consolidated financial statements of the Company include the accounts of its 100% owned subsidiaries 2362907 Ontario Inc. (a company incorporated in Ontario) and Radio Fuels Resources Corp. (a company incorporated in Ontario). Subsidiaries are those entities over which the Company has control. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The condensed interim financial statements of subsidiaries are included in the condensed interim consolidated financial statements from the date that control commences until the date that control ceases. Unrealized gains and losses on transactions between the Company and its subsidiaries are eliminated.

RADIO FUELS ENERGY CORP.

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Notes to the Condensed Interim Consolidated Financial Statements (*unaudited*)

For the three and six months ended May 31, 2022 and 2021 (*in Canadian dollars*)

2. Basis of presentation (continued)

(c) Basis of presentation and functional and presentation currency

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for marketable securities, options and warrants, which are measured at fair value.

The condensed interim consolidated financial statements are presented in Canadian dollars, which is also the Company's and the subsidiaries' functional currency.

3. Summary of significant accounting policies, judgments and estimates

These condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of the Company as at and for the year ended November 30, 2021.

Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended November 30, 2021.

4. Acquisition of Radio Fuels Resources Corp.

On December 15, 2021 the Company acquired 100% of the issued and outstanding shares of Radio Fuels Resources Corp. ("Radio Fuels Resources") (the "Transaction"), pursuant to Share Purchase Agreement. As consideration for the Transaction, the Company issued an aggregate of 58,823,529 common shares in the capital of the Company (the "Consideration Shares") at a deemed price of \$0.34. As Radio Fuels Resources does not meet the definition of a business per IFRS 3, the acquisition has been accounted for as an asset acquisition, whereby The Company is considered to issue shares in return for the net assets of Radio Fuels Resources at their fair value as follows:

Consideration paid to acquire assets of Radio Fuels Resources Corp.

58,823,529 common shares issued	\$	<u>20,000,000</u>
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Allocated as follows to Radio Fuels Resources Corp.'s assets and liabilities:

Cash	\$	285,279
Other receivable		15,023
Exploration and evaluation assets		19,717,357
Accounts payable and accrued liabilities		(17,659)
	\$	<u>20,000,000</u>

5. Marketable securities

The Company holds common shares of select, liquid mining companies that are held as short-term investments. These financial assets are recorded at fair value of \$18,293,587 (November 30, 2021 - \$549,416) in the condensed interim consolidated statements of financial position. At May 31, 2022, the Company revalued its holdings in its investments and recorded a fair value decrease of \$1,650,830 and \$880,177 for the three and six months ended May 31, 2022, respectively, on the statement of operations and comprehensive loss (a loss of \$358,797 and \$991,974 for the three and six months ended May 31, 2021, respectively).

During the three and six months ended May 31, 2022, the Company recorded a realized loss of \$1,193,944 (2021 - \$nil for the three and six months) from the disposition of certain legacy marketable securities that the company held prior to listing.

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Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the three and six months ended May 31, 2022 and 2021 (in Canadian dollars)

6. Other receivables

The Company's other receivables are comprised of the following:

	May 31, 2022	November 30, 2021
Goods and services tax recoverable	\$ 17,264	\$ 35,436

7. Evaluation and evaluation assets

Eco Ridge – Elliott Lake - Ontario

The Company owns a 100% interest in 298 mineral licenses and has a leasehold interest in 18 mineral license claims located in Elliott Lake, Ontario. The project rights were acquired by map staking mineral licenses and payment in common shares of the Company through a purchase agreement. 18 mining leases and 11 mining claims carry net smelter return royalties ranging from 1.75% to 3.0%.

The Company owns a 100% interest in 16 mineral licenses located in Bouck and Buckles Township, Ontario. The project rights were acquired by payment in cash through a purchase agreement.

The Company owns 25 contiguous patented mining claims covering approximately 400 hectares located in the Sault Ste. Marie Mining Division of Ontario in Joubin and Gunterman townships. The Property is located on the southern limb of the Quirk Lake Syncline. In the Elliot Lake area, uranium ore is found within pyritiferous quartz-pebble conglomerates in the Matinenda Formation of the Elliot Lake Group. The ore-bearing conglomerates consist of well-rounded, well-sorted quartz pebbles or cobbles set in a matrix of quartz, feldspar, and sericite, and have a pyrite content of 6-10%.

8. Trade payables and accrued liabilities

The Company's other payables are comprised of the following:

	May 31, 2022	November 30, 2021
Trade payables	\$ 78,982	\$ 494,894
Accrued liabilities	10,650	10,000
	\$ 89,632	\$ 504,984

RADIO FUELS ENERGY CORP.

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Notes to the Condensed Interim Consolidated Financial Statements (*unaudited*)

For the three and six months ended May 31, 2022 and 2021 (*in Canadian dollars*)

9. Share capital

a. Authorized

Authorized share capital consists of (i) an unlimited number of common shares and (ii) unlimited number of special shares, issuable in series.

(i) Common Shares

Each holder of common shares shall be entitled to receive notice of and to attend all meetings of shareholders of the Company, except meetings at which only holders of other classes or series of shares are entitled to attend, and at all such meetings shall be entitled to one vote in respect of each common share held by such holder. Each holder of common shares shall be entitled to receive notice of and to attend all meetings of shareholders of the Company, except meetings at which only holders of other classes or series of shares are entitled to attend, and at all such meetings shall be entitled to one vote in respect of each common share held by such holder. In the event of any liquidation, dissolution or winding-up of the Company or other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs, the holders of common shares shall be entitled, subject to the rights of holders of shares of any class ranking prior to the common shares, to receive the remaining property or assets of the Company.

(ii) Special Shares

The special shares may from time to time be issued in one or more series and subject to the following provisions, and subject to the sending of articles of amendment in prescribed form, and the endorsement thereon of a certificate of amendment in respect thereof, the directors may fix from time to time before such issue the number of shares that is to comprise each series and the designation, rights, privileges, restrictions and conditions attaching to each series of special shares including, without limiting the generality of the foregoing, the rate or amount of dividends or the method of calculating dividends, the dates of payment thereof, the redemption, purchase and/or conversion prices and terms and conditions of redemption, purchase and/or conversion, and any sinking fund or other provisions. The special shares of each series shall, with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other return of capital or distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs, rank on a parity with the special shares of every other series and be entitled

to preference over the common shares and over any other shares of the Company ranking junior to the special shares. The special shares of any series may also be given such other preferences over the special shares and any other shares of the Company ranking junior to the special shares as may be fixed as provided herein. If any cumulative dividends or amounts payable on the return of capital in respect of a series of special shares are not paid in full, all series of special shares shall participate rateably in respect of such dividends and return of capital. The special shares of any series may be made convertible into special shares of any other series or common shares at such rate and upon such basis as the directors in their discretion may determine. Unless the directors otherwise determine in the articles of amendment designating a series, the holder of each share of a series of special shares shall be entitled to one vote at a meeting of shareholders.

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Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the three and six months ended May 31, 2022 and 2021 (in Canadian dollars)

9. Share capital (continued)

b. Changes in issued common shares during the period ended May 31, 2022:

	Number of common shares	Amount
Balance, November 30, 2020	10,342,042	\$ 8,255,074
Shares issued on private placement	1,764,773	600,023
Shares issued pursuant to Share Exchange Agreement	5,212,418	1,772,222
Balance, November 30, 2021	17,319,233	\$ 10,627,319
Shares issued on acquisition of Radio Fuels Resources Corp.	58,823,529	20,000,000
Shares issued on private placement	63,707,024	25,482,810
Shares issued on acquisition of exploration and evaluation assets	2,000,000	680,000
Cost of issuance – units	100,000	24,861
Cost of issuance – cash	-	(909,301)
Cost of issuance – broker warrants	-	(150,642)
FMV of warrants issued	-	(9,644,422)
Balance, May 31, 2022	141,949,786	\$ 46,110,625

On February 3, 2021, the Company closed a non-brokered private placement through the issuance of 1,764,773 common shares for aggregate gross proceeds of \$600,023.

On February 3, 2021, the Company issued 4,411,765 common shares under the Share Exchange Agreement at a price of \$0.34 per common share.

On March 22, 2021, the Company issued 800,653 common shares under the Share Exchange Agreements at \$0.34 each common share.

On December 14, 2021, the Company entered into an agreement to acquire an additional mining property in the District of Algoma, Elliot Lake, Ontario. As consideration for the Acquisition, the Company issued 2,000,000 common shares. The common shares were valued at \$680,000.

On December 15, 2021, upon satisfaction of certain escrow release conditions, at which time 63,807,024 Subscription Receipts were automatically converted into 63,807,024 units (each a "Unit") of the Company, and the Escrowed Proceeds were released to the Company in the amount of \$25,495,570. Each Unit is comprised of one common share of the Company (each, a "Unit Share") and one-half common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable by the holder thereof for one common share of the Company (each, a "Warrant Share") until December 15, 2026 at an exercise price of \$0.50 per Warrant Share, subject to adjustments in certain events.

On December 16, 2021, the Company completed the Radio Fuels Resources Corp. Transaction (see Note 4), whereby the Company issued 58,823,529 common shares of the Company to the shareholders of Radio Fuels Resources (the Consideration Shares) at deemed price of \$0.34 per Consideration Share.

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Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the three and six months ended May 31, 2022 and 2021 (in Canadian dollars)

9. Share capital (continued)

c. Loss per share

The calculation of basic and diluted loss per share, for the three and six months ended May 31, 2022 and 2021 is based on the following losses and number of shares:

	Three months ended May 31,		Six months ended May 31,	
	2022	2021	2022	2021
Net loss and comprehensive loss for the period	\$ (6,217,479)	\$ (424,765)	\$ (6,315,208)	\$ (1,112,230)
Weighted average number of shares	141,949,786	17,127,772	120,546,654	14,620,617

10. Contribute surplus

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, November 30, 2021	-	\$ -
Issued – December 15, 2021	31,903,512	0.50
Issued – December 15, 2021	865,850	0.40
Balance, May 31, 2022	32,769,362	\$ 0.50

The following table reflects the warrants issued and outstanding as of May 31, 2022:

Issue Date	Number of warrants	Exercise price	Expiry date	Weighted average contractual life (years)
December 15, 2021	31,903,512	\$ 0.40	December 15, 2026	4.55
December 15, 2021	865,850	\$ 0.40	December 15, 2022	0.54
Balance, May 31, 2022	32,769,362			4.44

The fair values of warrants issued have been estimated on the date of grant using the Black-Scholes pricing model. Assumptions used in the Black-Scholes pricing model are as follows:

Expiry Date	Grant date share price \$	Exercise price \$	Expected volatility %	Expected option life (Years)	Expected dividend yield %	Risk-free interest rate %
December 15, 2026	0.34	0.50	150.00	5.00	0	1.29
December 15, 2022	0.34	0.40	150.00	1.00	0	0.91

During the period ended May 31, 2022, the fair value of the warrants issued was \$9,810,203 (November 30, 2021 - \$nil).

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Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the three and six months ended May 31, 2022 and 2021 (in Canadian dollars)

10. Contribute surplus (continued)

Options

The Company's stock option plan (the "Plan") provides for the granting of stock options to directors, officers, employees and consultants of the Company. Share options are granted for a term not to exceed five years at exercise prices not less than the closing sale price of the shares on the Canadian Securities Exchange on the trading day immediately preceding the date the options are granted, and are not transferrable. The Plan is administered by the Board of Directors, which determines individual eligibility under the Plan, number of shares reserved for optioning to each individual (not to exceed 5% of issued and outstanding shares to any one individual) and the vesting period. The maximum number of shares of the Company that are issuable pursuant to the Plan is limited to 10% of the issued and outstanding common shares.

On March 7, 2022, the Company granted 12,400,000 options to certain directors, officers and consultant of the Company. These options are exercisable into common shares of the Company at a price of \$0.40 and expire in 5 years and vest immediately.

Additionally, on the same day, the Company granted 800,000 options to certain consultants. These options are exercisable into common shares of the Company at a price of \$0.40 and expire in 3 years and vest immediately.

Options outstanding to purchase common shares at May 31, 2022 have a weighted average exercise price of \$0.40. Individual option grants carry exercise prices and remaining terms to maturity as follows:

Number of Options	Options Exercisable	Exercise Price	Fair Value at Grant Date	Expiry Date	Remaining Contractual Life Outstanding
#	#	\$	\$		(Years)
12,400,000	12,400,000	0.40	2,981,622	07-Mar-27	4.77
800,000	800,000	0.40	166,348	07-Mar-25	2.77

The fair values of options granted have been estimated on the date of grant using the Black-Scholes option-pricing model. Assumptions used in the pricing model are as follows:

Expiry Date	Grant date share price \$	Exercise price \$	Expected volatility %	Expected option life (Years)	Expected dividend yield %	Risk-free interest rate %
07-Mar-27	0.27	0.40	150.00	5	0	1.46
07-Mar-25	0.27	0.40	150.00	3	0	1.40

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Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

For the three and six months ended May 31, 2022 and 2021 (in Canadian dollars)

11. Related party transactions

(a) Key management personnel compensation

The Company did not pay employment-based remuneration to directors, officers or other members of key management for the period ended May 31, 2022 and 2021. However, the Company did pay contract-based remuneration to directors, officers and other members of key management as disclosed in Note 11(b).

(b) Other related party transactions

Included in these interim condensed consolidated financial statements are the following related party transactions, which have been determined by negotiation amongst the related parties. These transactions are in the normal course of operations and are measured at the same value as if the transactions had occurred with non-related parties.

	May 31, 2022	May 31, 2021
Consulting expenses	\$ 232,000	\$ 60,000
Stock-based compensation	1,538,902	-
	\$1,770,902	\$ 60,000

(c) Related party balances

Included in trade payables and accrued liabilities at May 31, 2022 is \$nil (November 30, 2021 – \$79,100) due to related parties. Such amounts are due on demand, non-interest bearing and are unsecured.

12. Financial instruments

(a) Risk management and hedging activities

In the normal course of operations, the Company is exposed to various financial risks. Management's close involvement in the operations allows for the identification of risks and variances from expectations. The Company does not meaningfully participate in the use of financial instruments to control these risks. The Company has no designated hedging transactions. The financial risks and management's risk management objectives and policies are as follows:

(i) Currency risk

The Company does not hold any assets or liabilities denominated in a foreign currency.

(ii) Price risk

The Company is exposed to price risk with respect to commodity prices. As the Company is not a producing entity, this risk does not currently affect earnings; however, the risk could affect the completion of future equity transactions. The Company monitors commodity prices of precious metals and the stock market to determine the timing, nature and extent of equity transactions.

(iii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the entity. The Company is exposed to credit risk on financial assets. Cash is held with an established Canadian bank and the Company's other receivables are from Canadian government entities, from which management believes the risk of loss to be remote. The Company does not have any derivatives or similar instruments that mitigate the maximum exposure to credit risk.

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Notes to the Condensed Interim Consolidated Financial Statements (*unaudited*)

For the three and six months ended May 31, 2022 and 2021 (*in Canadian dollars*)

12. Financial instruments (continued)

a. Risk management and hedging activities (continued)

(iii) Credit risk (continued)

The carrying amount of financial assets recorded in the consolidated financial statements in the amount of \$22,233,445 (November 30, 2021 - \$26,243,007) represents the maximum exposure to credit risk at the reporting date.

(iv) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. Management monitors the Company's liquidity by assessing forecast and actual cash flows and by maintaining adequate cash on hand. It is management's opinion that it is unlikely that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. As at May 31, 2022, the Company has a working capital in the amount of \$22,299,734 (November 30, 2021 - \$608,867).

(v) Interest rate risk

The Company is not exposed to any meaningful interest rate risk due to the short-term nature of its interest generating asset.

(vi) Market Risk

Market risk is the risk that the fair value of, or future cash flows from the Company's investment in marketable securities will significantly fluctuate because of changes in market places. The Company is exposed to market risk in trading its investment and unfavourable market conditions could result in dispositions of investments at less than favourable prices. Additionally, the Company marks its investments to market in accordance with accounting policies at each reporting period. This process could result in significant write-downs of the Company's investment over one or more reporting periods, particularly during periods of declining resource markets.

Sensitivity analysis

As at May 31, 2022, the Company has cash and cash equivalents subject to interest rate risk of \$3,922,594 (November 30, 2021 - \$175,363). A 1% change in the primary interest rate would affect the reported net income, on an annualized basis by approximately \$39,225 (November 30, 2021 - \$1,753).

Additionally, the Company has marketable securities subject to market risk of \$18,293,587 (November 30, 2021 - \$549,416). A 10% change in closing price of its marketable securities would result in reported income of \$1,829,359 (November 30, 2021 - \$54,942).

Fair values, carrying amounts and changes in fair value

The fair values of the Company's financial instruments approximate their carrying value due to their short-term nature. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the statement of financial position, have been prioritized into the following three levels:

Level 1 includes quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 includes inputs that are observable other than quoted prices included in level 1.

Level 3 includes inputs that are not based on observable market data.

RADIO FUELS ENERGY CORP.

(formerly Mainstream Minerals Corporation)

Notes to the Condensed Interim Consolidated Financial Statements (*unaudited*)

For the three and six months ended May 31, 2022 and 2021 (*in Canadian dollars*)

13. Capital management

As the Company is in the exploration stage, its principal source of capital is from the issuance of common shares. The Company's capital management objective is to obtain sufficient capital to maintain its exploration programs for the benefit of its stakeholders. To meet the objectives, management monitors the Company's ongoing capital requirements against unrestricted net working capital and assesses additional capital requirements on specific exploration properties on a case-by-case basis. The Company is not subject to externally imposed capital requirements. Management is of the opinion that the amounts and changes in the Company's capital is readily determinable in these financial statements.