

AMERICAN CRITICAL ELEMENTS INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTH PERIOD ENDED OCTOBER 31, 2022
(expressed in Cdn \$)

UNAUDITED

Notice of disclosure of non-auditor review of consolidated interim financial statements pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators.

The accompanying condensed consolidated interim financial statements of the Company for the three and six months ended October 31, 2022 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards and are the responsibility of the Company's management.

The Company's auditors have not performed an audit or a review of these interim financial statements.

AMERICAN CRITICAL ELEMENTS INC.
(Incorporated under the Laws of the Province of Ontario)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

UNAUDITED
(Expressed in Canadian Dollars)

	Oct 31, 2022	April 30, 2022
ASSETS		
Current:		
Cash	\$ 7,473	\$ 4,371
H.S.T. receivable	<u>2,520</u>	<u>3,358</u>
	<u>9,993</u>	<u>7,729</u>
 Non-current assets:		
Exploration and evaluation assets (Note 5)	104,682	100,932
Investment (Note 4)	<u>2,161</u>	<u>3,781</u>
	<u>\$ 116,836</u>	<u>\$ 112,442</u>
 LIABILITIES		
Current:		
Accounts payable and accrued liabilities (Note 7)	\$ 41,321	\$ 31,386
Short-term loans payable (Note 9)	<u>34,435</u>	<u>19,000</u>
	<u>75,756</u>	<u>50,386</u>
 SHAREHOLDERS' EQUITY		
Common Shares (Note 6)	1,692,719	1,688,969
Contributed Surplus	138,250	138,250
Deficit	(1,824,787)	(1,801,681)
Accumulated other comprehensive loss	<u>(24,841)</u>	<u>(23,221)</u>
Equity attributable to owners of the Company	(18,659)	2,317
Non-controlling interest	<u>59,739</u>	<u>59,739</u>
Total Equity	<u>41,080</u>	<u>62,056</u>
	<u>\$ 116,836</u>	<u>\$ 112,442</u>

Approved on behalf of the board on December 28, 2022:

"William R. Johnstone"
William R. Johnstone, director

"Ken Ralfs"
Ken Ralfs, director

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

AMERICAN CRITICAL ELEMENTS INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

FOR THE THREE AND SIX MONTH PERIOD ENDED OCTOBER 31, 2022

UNAUDITED
(Expressed in Canadian Dollars)

	Three months ended October 31		Six months ended October 31	
	2022	2021	2022	2021
Expenses:				
General administration	\$ 9,574	\$ 4,620	\$ 11,872	\$ 7,020
Interest on short term loans	720	415	1,199	516
Professional fees <i>(Note 7)</i>	<u>8,535</u>	<u>5,750</u>	<u>10,035</u>	<u>8,167</u>
Net loss for the period before undernoted items	<u>(18,829)</u>	<u>(10,785)</u>	<u>(23,106)</u>	<u>(15,703)</u>
Other comprehensive income, net of tax:				
Change in unrealized gains and losses on available-for-sale financial assets	<u>(899)</u>	<u>719</u>	<u>(1,620)</u>	<u>359</u>
Comprehensive loss for the period	<u>\$ (19,728)</u>	<u>\$ (10,066)</u>	<u>\$ (24,726)</u>	<u>\$ (15,344)</u>
Net loss per share - basic and diluted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Weighted average number of shares outstanding - basic and diluted	<u>7,820,247</u>	<u>7,611,754</u>	<u>7,820,247</u>	<u>7,611,754</u>

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

AMERICAN CRITICAL ELEMENTS INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGE IN SHAREHOLDERS EQUITY

FOR THE THREE AND SIX MONTH PERIOD ENDED OCTOBER 31, 2022

UNAUDITED
(Expressed in Canadian Dollars)

	Common Shares		Warrants	Equity component of		Deficit	Total Shareholders Equity (Deficiency)
	# Shares	\$ Amount		Share-based payments	Accumulated Comp. loss		
Balance April 30, 2021	7,611,754	\$ 1,671,969	\$ -	\$ 138,250	\$ (23,041)	\$ (1,767,784)	\$ 19,394
Issuance of shares for property	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net loss and comprehensive loss for the period	-	-	-	-	359	(15,703)	(15,344)
Balance October 31, 2021	7,611,754	1,671,969	-	138,250	(22,682)	(1,783,487)	4,050
Issuance of shares for property	200,000	17,000					17,000
Net loss and comprehensive loss for the period	-	-	-	-	(539)	(18,194)	(18,733)
Balance April 30, 2022	7,811,754	1,688,969	-	138,250	(23,221)	(1,801,681)	2,317
Issuance of shares for property	50,000	3,750					3,750
Net loss and comprehensive loss for the period	-	-	-	-	(1,620)	(23,106)	(24,726)
Balance October 31, 2022	7,861,754	\$ 1,692,719	\$ -	\$ 138,250	\$ (24,841)	\$ (1,824,787)	\$ (18,659)

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

AMERICAN CRITICAL ELEMENTS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE AND SIX MONTH PERIODS ENDED OCTOBER 31, 2021

UNAUDITED
(Expressed in Canadian Dollars)

	Six months ended October 31	
	2022	2021
Cash was provided by (used in) the following activities:		
Operations:		
Net loss for the period	\$ (23,106)	\$ (15,703)
Net change in non-cash working capital balances related to operations <i>(Note 8)</i>	<u>10,773</u> <u>(12,333)</u>	<u>6,334</u> <u>(9,369)</u>
Investments:		
Acquisition of mining claims <i>(Note 5)</i>	<u>(3,750)</u>	<u>-</u>
Financing		
Short-term loans <i>(Note 9)</i>	15,435	16,000
Issuance of shares for property <i>(Note 5)</i>	<u>3,750</u>	<u>-</u>
	<u>19,185</u>	<u>16,000</u>
Net change in cash during the period	3,102	6,631
Cash, beginning of period	<u>4,371</u>	<u>3,214</u>
Cash, end of period	<u>\$ 7,473</u>	<u>\$ 9,845</u>

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

AMERICAN CRITICAL ELEMENTS INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTH PERIODS ENDED OCTOBER 31, 2021

UNAUDITED

(Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern:

American Critical Elements Inc. is a public company incorporated under the laws of the Province of Ontario and its principal business activity is the exploration of its mineral properties. At October 31, 2022 the Company had working capital deficiency in the amount of \$(65,763) (April 30, 2022 - \$(42,657)).

These unaudited condensed consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of operations, adverse conditions could cast doubt upon the validity of this assumption. In order to meet its corporate and administrative obligations for the coming year the Company will be required to raise funds through debt or equity financing's. Although the Company has been successful in raising funds in prior years through debt and equity financing's, there is no certainty that the Company will be successful in the future.

If the going concern assumption was not appropriate for these financial statements, then adjustments might be necessary to the carrying values of assets and liabilities, the reported loss and the balance sheet classifications used. These adjustments could be material.

In The continued outbreak of the novel strain of coronavirus, specifically identified as "COVID 19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID 19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. The development of apparently safe and effective vaccines have had a positive effect on the outlook for ending the pandemic however, uptake of the vaccine is in its early stages. At the present time, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

2. Significant accounting policies:

Statement of Compliance

These unaudited condensed consolidated interim financial statements have been prepared for the six months ended October 31, 2022, including comparative figures, in accordance with International Financial Reporting Standards ("IFRS"), and in particular in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). They have been prepared using the accounting policies the Company expects to adopt in its consolidated financial statements as at and for the financial year ending April 30, 2023.

These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's April 30, 2022 year end audited consolidated financial statements as prepared in accordance with IFRS.

Accounting Standards Issued but not yet Effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2022 or later periods. There are currently no new standards that are expected to have a material impact on the Company in the current year.

AMERICAN CRITICAL ELEMENTS INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTH PERIODS ENDED OCTOBER 31, 2021

UNAUDITED

(Expressed in Canadian Dollars)

3. Capital Management:

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risks characteristic of the underlying resource assets. As a junior resource exploration company, the Company considers its capital structure to comprise only working capital.. In order to maintain or adjust the capital structure, the Company may from time to time issue shares and adjust its capital spending to manage current and projected expenditure levels.

The Company has not paid or declared any dividends since the date of its incorporation, nor are any dividends contemplated in the foreseeable future.

The Company does not have any externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the period.

4. Investment:

The Company has investments in Big Tree Carbon Inc. (formerly Aurcrest Gold Inc.) as follows:

	October 31,	April 30,
	<u>2022</u>	<u>2022</u>
18,000 shares of Big Tree Carbon Inc.	\$ <u>2,161</u>	\$ <u>3,781</u>

The fair market value of its investment as at October 31, 2022 is approximately \$2,161. These fair value through other comprehensive income ("FVTOCI") financial instruments have been adjusted to fair market value.

5. Exploration and evaluation assets

On October 9, 2019 the Company entered into an option agreement with True North Gems Inc. ("True North") to earn up to 70% working interest in the True Blue Property ("Property") in the Yukon Territory. The True Blue Property consists of 68 mining claims in the Ketz-a-Seagull district of the Southern Yukon in the Watson Lake Mining District comprising 13.3 square kilometres. The Company can earn a 70% interest in the Property by incurring expenditures in the aggregate amount of \$300,000 over three years and issuing an aggregate of 600,000 common shares with 200,000 shares to be issued on closing (issued), a further 200,000 shares on or before November 30, 2020 (issued) and a further 200,000 shares on or before November 30, 2021 (issued). The exploration expenditure component was subsequently amended to extend the expenditure of the remaining \$250,000 to \$100,000 to be spent by the end of the 4th anniversary of the agreement with the balance to be spent by the 5th anniversary date. Consideration to be issued for the extension is 50,000 common shares of the Company which was issued in the current quarter ended.

If the Company earn its 70% interest, the parties will form a joint venture and contribute pro-rata to the further exploration and development of the Property. If a party is reduced to a 10% or less interest in the Property, that party's interest will be reduced to a 2% net smelter returns royalty with the right of the remaining party to acquire a 1% net smelter returns royalty at any time for the payment of \$1,000,000

AMERICAN CRITICAL ELEMENTS INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTH PERIODS ENDED OCTOBER 31, 2021

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6. Share based payments:

The Company has a common share purchase option plan (the "Plan") for directors, officers, employees, and consultants. Options granted under the Plan generally have a five-year term. Options are granted at a price no lower than the market price of the common shares at the time of the grant.

No share based payments were made in the current quarter and no options are outstanding at the end of the quarter.

<u>Warrants:</u>	<u>Number</u> <u>of warrants</u>	<u>Exer price</u>
Outstanding at October 31, 2022 and October 31, 2021	5,000,000	0.15

The following table summarizes information about the warrants outstanding at October 31, 2022

Weighted. avge. Exercise <u>Price</u>	Warrants outstanding <u>and exercisable</u>	Whtd. avge. remaining contractual life <u>in years</u>
\$ 0.15	5,000,000	0.10

The expiry date for the warrants outstanding as at October 31, 2022 is December 8, 2022. Subsequent to the current quarter ended October 31, 2022 the exercise price was amended from \$0.15 per share to \$0.08 per share. On December 8, 2022 3,137,500 of the warrants were exercised for total proceeds of \$251,000. The balance of the warrants expired unexercised. (see Note 10).

7. Related party transactions and balances:

The Company's related parties consist of executive officers and directors

<u>Related Party</u>	<u>Item</u>	<u>Six months ended</u> <u>October 31</u>	
		<u>2022</u>	<u>2021</u>
Director	Professional fees charged to statement of loss	\$ 7,035	\$ 4,657
	Amounts included in accounts payable related to above noted fees	\$ 28,339	\$ 12,583
Key Management Personnel	Salaries and fees charged to statement of loss	\$ -	\$ -
	Share-based payments charged to statement of loss	\$ -	\$ -

The above transactions were in the normal course of operations and were measured at the exchange amount, which are the amounts agreed to by the related parties.

AMERICAN CRITICAL ELEMENTS INC.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTH PERIODS ENDED OCTOBER 31, 2021

UNAUDITED

(Expressed in Canadian Dollars)

8. Supplemental cash flow information:

Net change in non-cash working capital:

	Oct 31	Oct 31
	<u>2022</u>	<u>2021</u>
H.S.T receivable	\$ 838	\$ 10,391
Accounts payable and accrued liabilities	<u>9,935</u>	<u>(4,057)</u>
	<u>\$ 10,773</u>	<u>\$ 6,334</u>

9. Short-term loans payable:

As at the end of the last fiscal year ended April 30, 2022 the Company had obtained short term loans totaling \$19,000 from an arm's length party. These loans are due on demand, interest bearing at 10% per annum and are unsecured. During the current six month period ended October 31, 2022 an additional \$15,435 was advanced from the same party at the same terms and conditions as the initial loans received. Interest expense in the amount of \$720 is recorded in the current quarter (2021 - \$415). Interest payable of \$2,680 (April 30, 2022 - \$1,481) is recorded and included in Accounts payable and accrued liabilities.

10. Subsequent events:

Subsequent to the current quarter ended October 30, 2022 on November 23, 2022 the Company repriced the exercise price of the outstanding 5,000,000 warrants issued and outstanding from \$0.15 per share to \$0.08 per share. On December 8, 2022 3,137,500 of the warrants were exercised for a total proceeds of \$251,000. The balance of the warrants expired unexercised.