

# **CANADIAN PALLADIUM RESOURCES INC.**

## **Consolidated Financial Statements**

(Expressed in Canadian dollars)

**Year Ended  
September 30, 2022 and 2021**

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**INDEPENDENT AUDITORS' REPORT**

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To the Shareholders and Directors of Canadian Palladium Resources Inc.

**Opinion**

We have audited the consolidated financial statements of Canadian Palladium Resources Inc. and its subsidiaries (the "Company") which comprise the consolidated statements of financial position as at September 30, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years ended September 30, 2022 and 2021, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material Uncertainty Related to Going Concern**

We draw attention to Note 1 of the accompanying consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about 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, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or 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.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 auditors' report is Fernando J. Costa.

*Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, Canada  
January 30, 2023

## Canadian Palladium Resources Inc.

Consolidated Statements of Financial Position  
(Expressed in Canadian Dollars)

|  | September 30,<br>2022 | September 30,<br>2021 |
|--|-----------------------|-----------------------|
|  | (\$)                  | (\$)                  |
| <b>ASSETS</b>  |                       |                       |
| <b>Current assets</b>                                    |                       |                       |
| Cash   | 21,751                | 597,443               |
| Receivables (Note 5)                                     | 24,664                | 133,175               |
| Short-term investments (Note 6)                          | -                     | 871,622               |
| Prepaid expenses   | 10,000                | 153,598               |
|  | 56,415                | 1,755,838             |
| Restricted deposits (Note 7)                             | 15,000                | 15,000                |
| Exploration and evaluation assets (Note 8)               | 1,019,148             | 2,426,332             |
|  | 1,090,563             | 4,197,170             |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b> |                       |                       |
| <b>Current liabilities</b>                               |                       |                       |
| Accounts payable and accrued liabilities (Note 9 and 12) | 965,962               | 665,643               |
| Notes payable (Note 10 and 12)                           | 453,235               | 81,757                |
| Flow-through liability (Note 11)                         | 36,779                | 113,854               |
|  | 1,455,976             | 861,254               |
| <b>Shareholders' equity (deficiency)</b>                 |                       |                       |
| Share capital (Note 11)                                  | 35,983,790            | 35,883,790            |
| Share-based payments reserve (Note 11)                   | 4,186,818             | 4,178,578             |
| Accumulated other comprehensive income                   | 4,420                 | (11,597)              |
| Deficit  | (40,540,441)          | (36,714,855)          |
|  | (365,413)             | 3,335,916             |
|  | 1,090,563             | 4,197,170             |

**Nature of operations and going concern (Note 1)**

**Commitments (Note 16)**

These consolidated financial statements were authorized for issue by the Board of Directors on January 30, 2023. They are signed on behalf of the Board of Directors by:

"Michelle Gahagan"  
Director

"Wayne Tisdale"  
Director

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

## Canadian Palladium Resources Inc.

Consolidated Statements of Loss and Comprehensive Loss  
(Expressed in Canadian Dollars)

|   | Year Ended<br>September 30,<br>2022 | Year Ended<br>September 30,<br>2021 |
|---|-------------------------------------|-------------------------------------|
|   | (\$)                                | (\$)                                |
| <b>EXPENSES</b>   |                                     |                                     |
| Depreciation  | -                                   | 3,807                               |
| Consulting fees (Note 12)                               | 316,914                             | 400,594                             |
| Exploration and evaluation (Note 8)                     | 594,184                             | 2,950,618                           |
| Foreign exchange (gain) loss                            | 13,097                              | (17,073)                            |
| Insurance   | 13,071                              | 9,547                               |
| Investor relations                                      | 89,675                              | 510,636                             |
| Management fees (Note 12)                               | 210,000                             | 210,000                             |
| Office and miscellaneous                                | 153,476                             | 191,863                             |
| Professional fees                                       | 58,200                              | 69,586                              |
| Share-based compensation (Note 11 and 12)               | 8,240                               | 438,115                             |
| Transfer agent and filing fees                          | 56,693                              | 49,262                              |
| Travel  | 10,359                              | 28,408                              |
| <b>Loss from operations</b>                             | <b>(1,523,909)</b>                  | <b>(4,845,363)</b>                  |
| Unrealized gain on short-term investments (Note 6)      | -                                   | 178,423                             |
| Realized gain (loss) on short-term investments (Note 6) | (820,407)                           | 153,415                             |
| Loss on write-off of accounts receivables               | (1,162)                             | -                                   |
| Gain on write-off of accounts payables                  | -                                   | 25,324                              |
| Impairment of exploration & evaluation assets (Note 8)  | (1,557,184)                         | -                                   |
| Other income (Note 11)                                  | 77,075                              | 499,751                             |
|   | <b>(2,301,678)</b>                  | <b>856,913</b>                      |
| <b>Net loss</b>   | <b>(3,825,586)</b>                  | <b>(3,988,450)</b>                  |
| <b>Other Comprehensive Income</b>                       |                                     |                                     |
| Foreign currency translation differences                | 16,017                              | (17,846)                            |
| <b>Total Comprehensive Loss</b>                         | <b>(3,809,569)</b>                  | <b>(4,006,296)</b>                  |
| <b>Basic and diluted loss per common share</b>          | <b>(0.03)</b>                       | <b>(0.03)</b>                       |
| <b>Weighted average common shares outstanding:</b>      | <b>143,653,587</b>                  | <b>133,890,304</b>                  |

The accompanying notes are an integral part of these consolidated financial statement

## Canadian Palladium Resources Inc.

Consolidated Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian Dollars)

|   | Number of<br>Shares | Amount<br>(\$)    | Share-based<br>Payments<br>Reserve<br>(\$) | Foreign<br>Currency<br>Translation<br>(\$) | Deficit<br>(\$)     | Total<br>(\$)    |
|---|---------------------|-------------------|--|--|---------------------|------------------|
| <b>Balance at September 30, 2020</b>  | <b>101,094,646</b>  | <b>31,534,974</b> | <b>3,559,260</b>                           | <b>6,249</b>                               | <b>(32,726,405)</b> | <b>2,374,078</b> |
| Exercise of warrants  | 5,250               | 1,125             | (495)                                      | -  | -                   | 630              |
| Exercise of options   | 100,000             | 3,370             | 10,630                                     | -  | -                   | 14,000           |
| Shares issued pursuant to a private placement, net of<br>share issuance costs | 37,742,390          | 4,439,176         | 171,068                                    | -  | -                   | 4,610,244        |
| Shares issued for exploration and evaluation assets                           | 4,000,000           | 505,000           | -  | -  | -                   | 505,000          |
| Finders fee   | 125,000             | 13,750            | -  | -  | -                   | 13,750           |
| Flow-through share premium  | -                   | (613,605)         | -  | -  | -                   | (613,605)        |
| Share-based compensation  | -                   | -                 | 438,115                                    | -  | -                   | 438,115          |
| Foreign currency translation  | -                   | -                 | -  | (17,846)                                   | -                   | (17,846)         |
| Loss and comprehensive loss for the year                                      | -                   | -                 | -  | -  | (3,988,450)         | (3,988,450)      |
| <b>Balance at September 30, 2021</b>  | <b>143,067,286</b>  | <b>35,883,790</b> | <b>4,178,578</b>                           | <b>(11,597)</b>                            | <b>(36,714,855)</b> | <b>3,335,916</b> |
| Shares issued for exploration and evaluation assets                           | 1,000,000           | 100,000           | -  | -  | -                   | 100,000          |
| Share-based compensation  | -                   | -                 | 8,240                                      | -  | -                   | 8,240            |
| Foreign currency translation  | -                   | -                 | -  | 16,017                                     | -                   | 16,017           |
| Loss and comprehensive loss for the year                                      | -                   | -                 | -  | -  | (3,825,586)         | (3,825,586)      |
| <b>Balance at September 30, 2022</b>  | <b>144,067,286</b>  | <b>35,983,790</b> | <b>4,186,818</b>                           | <b>4,420</b>                               | <b>(40,540,441)</b> | <b>(365,413)</b> |

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

## Canadian Palladium Resources Inc.

Consolidated Statements of Cash Flows  
(Expressed in Canadian Dollars)

|  | Year Ended<br>September 30,<br>2022 | Year Ended<br>September 30,<br>2021 |
|--|-------------------------------------|-------------------------------------|
|  | (\$)                                | (\$)                                |
| <b>CASH PROVIDED BY (USED IN)</b>                    |                                     |                                     |
| <b>OPERATING ACTIVITIES</b>                          |                                     |                                     |
| Net loss for the year                                | (3,825,586)                         | (3,988,450)                         |
| Items not affecting cash:                            |                                     |                                     |
| Share-based compensation                             | 8,240                               | 438,115                             |
| Depreciation   | -                                   | 3,807                               |
| Unrealized loss (gain) on short-term investments     | -                                   | (178,423)                           |
| Realized loss (gain) on short-term investments       | 807,897                             | (153,415)                           |
| Foreign exchange                                     | 6,778                               | (299)                               |
| Unrealized foreign exchange                          | 16,017                              | (17,846)                            |
| Impairment of exploration & evaluation assets        | 1,557,184                           | -                                   |
| Flow-through share premium                           | (77,075)                            | (499,751)                           |
| Changes in non-cash working capital items:           |                                     |                                     |
| Receivables  | 108,511                             | (64,617)                            |
| Prepaid expenses                                     | 143,598                             | (136,658)                           |
| Accounts payable and accrued liabilities             | 300,319                             | (63,999)                            |
| <b>CASH USED IN OPERATING ACTIVITIES</b>             | <b>(954,118)</b>                    | <b>(4,661,536)</b>                  |
| <b>FINANCING ACTIVITIES</b>                          |                                     |                                     |
| Proceeds received from private placements            | -                                   | 5,170,800                           |
| Share issuance costs                                 | -                                   | (545,927)                           |
| Repayment of notes payable                           | (20,000)                            | -                                   |
| Proceeds from notes payable                          | 384,700                             | 81,757                              |
| <b>CASH PROVIDED BY FINANCING ACTIVITIES</b>         | <b>364,700</b>                      | <b>4,706,630</b>                    |
| <b>INVESTING ACTIVITIES</b>                          |                                     |                                     |
| Exploration and evaluation assets                    | (50,000)                            | (200,000)                           |
| Purchase of short-term investments                   | (254,875)                           | (267,001)                           |
| Proceeds from the disposal of short-term investments | 318,601                             | 420,865                             |
| Proceeds from the disposal of equipment              | -                                   | 11,547                              |
| <b>CASH USED IN INVESTING ACTIVITIES</b>             | <b>13,726</b>                       | <b>(34,589)</b>                     |
| <b>CHANGE IN CASH DURING THE YEAR</b>                | <b>(575,692)</b>                    | <b>10,505</b>                       |
| <b>CASH - BEGINNING OF YEAR</b>                      | <b>597,443</b>                      | <b>586,938</b>                      |
| <b>CASH - END OF YEAR</b>                            | <b>21,751</b>                       | <b>597,443</b>                      |

### Supplemental Cash Flow Information (Note 17)

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

## **CANADIAN PALLADIUM RESOURCES INC.**

Notes to the Consolidated Financial Statements

Years Ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

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

Canadian Palladium Resources Inc. (the "Company") was incorporated on August 25, 2005 under the laws of British Columbia. The Company's head office and registered and records office is located at 1558 West Hastings Street, Vancouver, BC, V6G 3J4, Canada. The Company is traded on the Canadian Securities Exchange ("CSE") under the symbol 'BULL'. The Company is a mineral exploration company focused on acquiring and exploring exploration and evaluation assets in Europe and North America.

At the date of these consolidated financial statements, the Company has not identified a known body of commercial grade mineral on any of its exploration and evaluation assets. The ability of the Company to realize the costs it has incurred to date on exploration and evaluation assets is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the exploration and evaluation assets. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

These consolidated financial statements have been prepared assuming the Company will continue on a going concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, and other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In addition, management closely monitors the commodity prices and other developments in the natural resources market, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favorable or adverse market conditions occur.

Based on its working capital deficit of \$1,399,561 as at September 30, 2022, the Company estimates that it will need additional capital to operate for the next 12 months. As of September 30, 2022, the Company had an accumulated deficit of \$40,540,441. The Company's ability to continue as a going concern is uncertain and is dependent upon the generation of profits from mineral properties, obtaining additional financing or maintaining continued support from its shareholders and creditors. While the Company has been successful in obtaining financing in the past, there is no assurance that such financing will continue to be available or be available on favorable terms in the future. An inability to raise additional financing may impact the future assessment of the Company as a going concern. In the event that additional financial support is not received or operating profits are not generated, the carrying values of the Company's assets may be adversely affected. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

### **2. BASIS OF PRESENTATION**

These consolidated financial statements, including comparatives, are prepared using International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements were authorized for issue by the Board of Directors on January 30, 2023.

#### **Basis of Measurement**

These consolidated financial statements have been prepared on the historical cost basis, except for financial instruments classified as held for trading that have been measured at fair value. Cost is the fair value of consideration given in exchange for net assets.



**CANADIAN PALLADIUM RESOURCES INC.**

Notes to the Consolidated Financial Statements

Years Ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

**2. BASIS OF PRESENTATION (continued)****Functional and presentation currency**

These consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the parent company and its subsidiaries, with the exception of the Company's wholly-owned subsidiary, Tisová Pty. Ltd., whose functional currency is the Czech Koruna.

**Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

| Name of Subsidiary             | Place of Incorporation | Proportion of Ownership Interest | Principal Activity |
|--------------------------------|------------------------|----------------------------------|--------------------|
| Declan Resources (Wyoming) LLC | U.S.A.                 | 100%                             | Dormant            |
| East Bull Resources Inc.       | Canada                 | 100%                             | Exploration        |
| Tisová Pty. Ltd.               | Australia              | 100%                             | Exploration        |
| TGER Pty. Ltd.                 | Australia              | 100%                             | Exploration        |
| Golden Pet S.R.O.              | Czech Republic         | 100%                             | Exploration        |
| 5498 Nunavut Inc.              | Nunavut                | 100%                             | Dormant            |

**Significant Accounting Judgments, Estimates and Assumptions**

In the application of the Company's accounting policies which are described in Note 3, management is required to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, revenue and expenses and are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and management's assessment of current events and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in these consolidated financial statements include:

***Estimates:*****Share-based compensation**

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model, which incorporates market data and involves uncertainty in estimates used by management in the assumptions. The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, and, as a result, changes in subjective input assumptions can materially affect the fair value estimate.

**2. BASIS OF PRESENTATION** (continued)

**Use of estimates and judgments** (continued)

***Judgements:***

Determination of functional currency

The functional currency of the Company and its subsidiary is the currency of the primary economic environment in which each entity operates. The Company has determined the functional currency of each entity to be the Canadian dollar with the exception of the Company's wholly-owned subsidiary, Tisová Pty. Ltd and Golden pet S.R.O., whose functional currency is the Czech Koruna. Determination of the functional currency may involve certain judgments to determine the primary economic environment. The functional currency may change if there is a change in events and conditions which determines the primary economic environment.

The carrying value and the recoverability of exploration and evaluation assets

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, scoping and feasibility studies, accessible facilities and existing permits.

Impairment of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment when indicators and circumstances suggest that the carrying amount may exceed its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Going Concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operation expenditures and to meet its liabilities for the ensuing year, involves significant judgement based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Deferred income tax

The value of deferred tax assets is evaluated based on the probability of realization; the Company has assessed that it is improbable that such assets will be realized and has accordingly not recognized a value for deferred taxes.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **Exploration and Evaluation Assets**

Costs related to the acquisition of exploration and evaluation assets are capitalized by property until the commencement of commercial production. Costs incurred before the Company has obtained the legal rights to explore an area are recognized through profit or loss.

Costs related to exploration costs of exploration and evaluation assets, incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development, are charged to operations as incurred. Development expenditures incurred subsequent to a development decision and impairment test, 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 upon commencement of commercial production.

If commercially profitable ore reserves are developed, capitalized costs of the related exploration and evaluation assets are reclassified as mining assets and amortized using the unit-of-production method. If, after management review, it is determined that capitalized acquisition costs are not recoverable over the estimated economic life of the exploration and evaluation assets, or the exploration and evaluation assets are abandoned, or management deems there to be an impairment in value, the exploration and evaluation assets are written down to their net realizable value.

Any option payments received by the Company from third parties are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

#### **Flow-Through Shares**

Current Canadian tax legislation permits a company to issue securities referred to as flow-through shares whereby the Company assigns the tax deductions arising from the related resource expenditures to the shareholders. The issue of flow-through shares is in substance an issue of ordinary shares and the sale of tax deductions. At the time the Company issues flow-through shares, the sale of tax deductions is deferred and presented as deferred flow-through liability in the consolidated statements of financial position to recognize the obligation to incur and renounce eligible resource exploration and evaluation expenditures. The tax deduction is measured as the difference between the current market price of the Company's common shares and the issue price of the flow-through share. Upon incurring and renouncing eligible resource exploration and evaluation expenditures, the Company recognizes the sale of tax deductions as a recovery on the statement of comprehensive loss and reduces the deferred flow-through liability.

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

#### **Deferred Acquisition Costs**

Costs related to the acquisition of other companies are deferred until such time that the Company obtains control to these entities.

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

**Foreign Currency Translation**

The Company's reporting currency is the Canadian dollar.

Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss. Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction and are not retranslated.

**Equipment**

Equipment is recorded at cost less accumulated depreciation. Equipment is depreciated on a straight line basis over a five-year life.

**Financial Instruments**

*Financial Assets*

The Company classifies its financial assets in the following categories: fair value through profit or loss, amortized cost or fair value through other comprehensive income. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss ("FVTPL") are initially recognized at fair value with changes in fair value recorded in profit or loss. The Company records its cash and short-term investments at FVTPL.

*Amortized cost*

Financial assets are classified at amortized cost if both of the following criteria are met and the financial assets are not classified or designated as at fair value through profit and loss: 1) the Company's objective for these financial assets is to collect their contractual cash flows and 2) the asset's contractual cash flows represent 'solely payments of principal and interest'. The Company's restricted deposits and receivables are recorded at amortized cost.

*Fair value through other comprehensive income ("OCI")*

For financial assets that are not held for trading, the Company can make an irrevocable election at initial recognition to classify the instruments at fair value through other comprehensive income ("FVOCI"), with all subsequent changes in fair value being recognized in other comprehensive income as a component of equity. This election is available for each separate investment. Under this new FVOCI category, fair value changes are recognized in OCI while dividends are recognized in profit or loss. On disposal of the investment the cumulative change in fair value is not recycled to profit or loss, rather transferred to deficit. The Company does not have any financial assets designated as FVOCI.

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

**Financial Instruments (continued)**

*Financial liabilities*

Financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method. Financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and notes payable.

**Impairment**

At the end of each reporting period, the carrying value of the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

**Provision for Environmental Rehabilitation**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as related assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss.

**Share-based Payment Transactions**

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants pursuant to a stock option plan. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model. It is recognized over the vesting period, using the graded vesting method, as an expense, with a corresponding increase to reserves in shareholders' equity. Expected volatility is based on historical volatility (based on the expected life of the options), adjusted for any expected changes due to publicly available information. No expense is recognized for awards that ultimately do not vest.

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

**Share-based Payment Transactions (continued)**

If and when stock options are ultimately exercised, the amount of cash received as well as the applicable amount of the associated reserve is transferred to share capital.

Share-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of equity instruments issued, whichever is more reliably measurable. The fair value of stock-based payments to nonemployees is periodically re-measured until counterparty performance is complete and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of share-based payments to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognized at that date.

**Share Capital**

The Company records proceeds from share issuances, net of commissions and issuance costs, as share capital. The Company engages in equity financing transactions to obtain the funds necessary to continue operations. The equity financings may involve the issuance of common shares or units. Warrants that are a part of units are assigned a value based on the residual value, if any, and included in reserves.

**Earnings (Loss) Per Share**

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting periods. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. For the year ended September 30, 2022 this calculation proved to be anti-dilutive.

**Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**Income Taxes**

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity.

*Current Income Tax*

Current income tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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

**Income Taxes** (continued)

*Deferred Income Tax*

Deferred income taxes are calculated based on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

**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.

**4. RECENT ACCOUNTING PRONOUNCEMENTS**

The Company has not adopted any new or revised standards, along with any consequential amendments for the year ended September 30, 2022.

**5. RECEIVABLES**

As at September 30, 2022 and September 30, 2021, receivables consist of the following:

|                   | <b>September 30,<br/>2022</b> | <b>September 30,<br/>2021</b> |
|-------------------|-------------------------------|-------------------------------|
|                   | <b>(\$)</b>                   | <b>(\$)</b>                   |
| GST receivable    | 22,517                        | 130,291                       |
| Other receivables | 2,147                         | 2,884                         |
|                   | <u>24,664</u>                 | <u>133,175</u>                |

**6. SHORT-TERM INVESTMENTS**

Short term investments are investments in quoted equity shares. The fair value of the quoted equity shares has been directly determined by reference to published price quotations in an active market. The Company has classified its short-term investments as fair value changes through profit or loss.

| Name                  | September 30,<br>2022 |                | September 30,<br>2021 |                |
|-----------------------|-----------------------|----------------|-----------------------|----------------|
|                       | Number of<br>Shares   | Amount<br>(\$) | Number of<br>Shares   | Amount<br>(\$) |
| Versus Systems Inc.   | -                     | -              | 154,880               | 724,417        |
| Moovly Media Inc.     | -                     | -              | 935,500               | 121,615        |
| Bathurst Metals Corp. | -                     | -              | 284,333               | 25,590         |
|                       |                       |                | -                     | 871,622        |

During the year ended September 30, 2022, the Company received net proceeds of \$318,601 (2021 - \$420,865) from the disposition of short-term investments. During the year ended September 30, 2022, the Company recorded an unrealized gain of \$Nil (2021 - \$178,423) on its short-term investments. The realized loss recorded on the disposal of short-term investments was \$820,407 (2021 - gain of \$153,415). The investment in Versus Systems Inc. is related by virtue of a common director.

**7. RESTRICTED DEPOSITS**

As at September 30, 2022, restricted deposits consisted of \$15,000 (September 30, 2021 - \$15,000) held in a guaranteed investment certificate as collateral for a corporate credit card.

**8. EXPLORATION AND EVALUATION ASSETS**

Tisová/TGER European Copper-Cobalt Properties

On July 6, 2018 the Company entered into an arm's length share purchase agreement to purchase 100% of the shares of Tisová Pty. Ltd. ("Tisová") And TGER Pty. Ltd. ("TGER"). Tisová and TGER are private companies which have been granted 100% interest in and to certain mineral concessions located in the Czech Republic and Germany.

Pursuant to the agreement, and in exchange for the Tisová and TGER shares, the Company is committed to issue, in aggregate, to the shareholders of Tisová and TGER the following:

- \$60,000 cash to the vendors upon execution of the agreement (paid);
- Upon satisfaction of certain conditions precedent, issue 1,500,000 common shares of the Company to the vendors on the closing date (issued);
- Spend \$1,000,000 on the properties by July 1, 2019, and issue an aggregate of 2,500,000 common shares of the Company to the vendors at such time (issued);
- Spend an additional \$1,000,000 on the properties each year for the next three years and no later than July 1, 2022 and issue an additional 4,000,000 common shares of the Company to the vendors.

If the Company fails to satisfy any of the above requirements, the shares of Tisová and TGER will be returned to the original vendors. On October 23, 2018, the Company issued 1,500,000 common shares with fair value of \$450,000 in exchange for 100% ownership of Tisová and TGER, subject to the above terms, and their respective mineral concessions. A finder's fee was issued in connection with this closing through the issuance of 46,875 common shares with a fair value of \$14,063. The related mineral concessions are subject to a 1.5% NSR of which one-half can be purchased for \$750,000.



## CANADIAN PALLADIUM RESOURCES INC.

Notes to the Consolidated Financial Statements

Years Ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

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### 8. EXPLORATION AND EVALUATION ASSETS (continued)

#### Tisová/TGER European Copper-Cobalt Properties (continued)

The Company incurred the minimum exploration expenditures on the properties by June 1, 2019 and issued an aggregate of 2,500,000 common shares with a fair value of \$525,000 pursuant to the terms of the agreement. The Company paid a finder's fee by way of the issuance of 78,125 common shares with a fair value of \$16,406.

Pursuant to the Tisová share purchase agreement, a loan deed must be repaid to the original founders of Tisová Pty Ltd. in the amount of \$11,860, representing the initial seed capital required on incorporation of Tisová's wholly-owned subsidiary, Golden Pet S.R.O. The seed capital was subsequently converted into a loan deed by Tisová Pty Ltd. As of September 30, 2022, \$Nil (September 30, 2021 - \$Nil) remains outstanding and is included in accounts payable.

Effective February 1, 2021, the Company agreed to amend the terms of its previously entered into share purchase agreements dated July 6, 2018, pursuant to which the Company agreed to acquire both Tisová Pty. Ltd. and TGER Pty. Ltd., being the owners of certain mineral concessions located in the Czech Republic and Germany.

Under the terms of the purchase agreements, the Company still had the obligation to incur an aggregate \$3-million in exploration expenditures on the properties over a three-year period ending July 1, 2022, and issue an aggregate of four million common shares of the Company to the vendors immediately upon incurring such exploration expenditures.

The Company has agreed with the vendors that, notwithstanding the provisions of the purchase agreements, upon the Company immediately issuing an aggregate of three million common shares to the vendors (issued February 2, 2021 with a fair value of \$390,000), the purchaser shall own all of the shares of Tisová and TGER (and indirectly, the properties) unconditionally and absolutely and shall have no further obligations to the vendors under the purchase agreements.

The Company and the vendors have also agreed that one-third of the common shares being issued to the vendors shall be restricted from being traded before August 1, 2021, another one-third of the common shares shall be restricted from being traded before November 1, 2021, and the final one-third of the common shares shall be restricted from being traded before February 1, 2022.

During the year ended September 30, 2022, the Company impaired the Tisova, TGER, and Agnew Lake properties, recognizing \$1,557,184 in property impairment. While additional exploration is planned for fiscal 2023, there were several factors of impairment including a delay and decrease in exploration expenditures, a decrease in the Company's share price, and lack of availability of equity financing.

#### Agnew Lake Property

During the year ended September 30, 2019, the Company acquired a palladium project in Ontario through staking. The Agnew Lake property comprises over 260 claims (about 6,000 hectares) and is part of the larger East Bull Lake-Agnew Lake mafic-ultramafic complex.

#### East Bull Palladium Property

On February 26, 2019, and as amended August 10, 2022, the Company entered into an option agreement through its newly incorporated and wholly-owned subsidiary, East Bull Resources Inc. with Pavey Ark Minerals Inc.

**CANADIAN PALLADIUM RESOURCES INC.**

Notes to the Consolidated Financial Statements

Years Ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

**8. EXPLORATION AND EVALUATION ASSETS (continued)**East Bull Palladium Property (continued)

(“Pavey Ark”) to acquire a 100% interest in the East Bull palladium property in the Sudbury mining division, Ontario (the “Agreement”). Pursuant to the Agreement, and over a period of four years (should the Company elect to continue), the Company is obliged to incur \$1,750,000 in exploration expenditures, issue \$1,120,000 in cash payments, and issue an aggregate of 4.5 million common shares of the Company to Pavey Ark in accordance with the following schedule:

| Minimum<br>Exploration<br>Expenditures | Common<br>Shares<br>Issued | Cash<br>Issued     | Due Date  |
|--|----------------------------|--------------------|---|
| -                                      | -                          | \$25,000           | On Term Sheet signing (paid)                      |
| -                                      | 750,000                    | \$75,000           | Within 5 days of signing (paid and issued)        |
| \$250,000                              | 750,000                    | \$150,000          | On or before March 1, 2020 (met, paid and issued) |
| \$500,000                              | 1,000,000                  | \$200,000          | On or before March 1, 2021 (met, paid and issued) |
| \$500,000                              | 1,000,000                  | \$50,000           | On or before March 1, 2022 (met, paid and issued) |
| \$500,000                              | 1,000,000                  | \$370,000          | On or before March 1, 2023                        |
| -                                      | -                          | \$250,000          | On or before March 1, 2024                        |
| <b>\$1,750,000</b>                     | <b>4,500,000</b>           | <b>\$1,120,000</b> |   |

During the year ended September 30, 2022, the Company issued 1,000,000 common shares and made a cash payment of \$50,000 pursuant to the terms of the East Bull property option agreement.

During the year ended September 30, 2022, the Company incurred \$548,788 in exploration expenses on its East Bull property, and \$45,396 on its Tisova property, for a total of \$594,184 (2021 - \$2,950,618) in exploration expenses.

A schedule of exploration and evaluation assets as at September 30, 2022 and the year ended September 30, 2021 is as follows:

|                              | <b>TGER</b>    | <b>Tisová</b>  | <b>East Bull</b> | <b>Agnew Lake</b> | <b>Total</b>     |
|------------------------------|----------------|----------------|------------------|-------------------|------------------|
|                              | <b>(\$)</b>    | <b>(\$)</b>    | <b>(\$)</b>      | <b>(\$)</b>       | <b>(\$)</b>      |
| <b>At September 30, 2020</b> | <b>543,947</b> | <b>596,037</b> | <b>554,148</b>   | <b>13,450</b>     | <b>1,707,582</b> |
| Cash                         | -              | -              | 200,000          | -                 | 200,000          |
| Common shares                | 201,875        | 201,875        | 115,000          | -                 | 518,750          |
| <b>At September 30, 2021</b> | <b>745,822</b> | <b>797,912</b> | <b>869,148</b>   | <b>13,450</b>     | <b>2,426,332</b> |
| Cash                         | -              | -              | 50,000           | -                 | 50,000           |
| Common shares                | -              | -              | 100,000          | -                 | 100,000          |
| Impairment                   | (745,822)      | (797,912)      | -                | (13,450)          | (1,557,184)      |
| <b>At September 30, 2022</b> | <b>-</b>       | <b>-</b>       | <b>1,019,148</b> | <b>-</b>          | <b>1,019,148</b> |

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

As at September 30, 2022 and September 30, 2021, the Company's accounts payable and accrued liabilities is comprised of the following:

|                                 | <b>September 30,<br/>2022</b> | <b>September 30,<br/>2021</b> |
|---------------------------------|-------------------------------|-------------------------------|
|                                 | <b>(\$)</b>                   | <b>(\$)</b>                   |
| Accounts payable                | 445,411                       | 322,555                       |
| Related party payable (Note 12) | 458,509                       | 281,046                       |
| Accrued liabilities             | 50,000                        | 50,000                        |
| Interest payable (Note 12)      | 12,042                        | 12,042                        |
|                                 | <u>965,962</u>                | <u>665,643</u>                |

**10. NOTES PAYABLE**

During the year ended September 30, 2022, the Company issued notes payable for proceeds of \$384,700, of which \$293,700 was issued to related parties (September 30, 2021 - \$81,757), which are unsecured, non-interest bearing and repayable upon demand. During the year ended September 30, 2022, a total of \$20,000 was repaid.

As at September 30, 2022, a total of \$453,235 (September 30, 2021 - \$81,757) of loan principal remains outstanding.

**11. SHARE CAPITAL AND RESERVES**

**a) Authorized share capital**

An unlimited number of common shares without par value.

**b) Issued share capital**

During the year ended September 30, 2022, the following transactions took place:

On March 1, 2022, the Company issued 1,000,000 common shares in an arm's length transaction, in exchange for another milestone payment towards the ownership of the East Bull palladium property with an estimated fair value of \$0.10 per share, being the market price on the date of issuance (Note 8).

During the year ended September 30, 2022, the Company satisfied the flow through liability, recognizing \$77,075 in other income from flow-through private placements completed during the year ended September 30, 2021.

During the year ended September 30, 2021, the following transactions took place:

On October 6, 2020, the Company completed a private placement, with Eight Capital acting as agent, raising aggregate gross proceeds of \$3,391,170 through a combination of units and flow-through common shares of the Company. The Company issued a total of 13,878,000 flow-through shares at a price of \$0.135 per flow-through share and a total 12,647,000 units at a price of \$0.12 per unit. Each unit consists of one non-flow-through common share of the Company and one non-flow-through common share purchase warrant. Each warrant shall entitle the holder thereof to acquire one share at a price of \$0.18 for a period of 36 months following the closing date.

**11. SHARE CAPITAL AND RESERVES** (continued)

**b) Issued share capital** (continued)

The gross proceeds from the sale of the flow-through shares will be used for expenditures which qualify as "Canadian exploration expenses" (CEE) and "flow-through mining expenditures" both within the meaning of the Income Tax Act (Canada). The Company has renounced such CEE with an effective date of December 31, 2020. As consideration for its services, the Company paid Eight Capital a cash commission of \$148,604 and an advisory fee of \$22,400 and issued to Eight Capital an aggregate of 1,118,250 compensation warrants and 185,500 advisory warrants.

Each compensation warrant and each advisory warrant shall entitle the holder thereof to acquire one unit at a price of \$0.12 for a period of 24 months from the closing date. The Company also paid cash commissions of \$11,760 and issued an aggregate of 98,000 finder's fee warrants to eligible parties. Each finder's fee warrant shall entitle the holder thereof to acquire one share at a price of \$0.12 for a period of 24 months following the closing date. The compensation, advisory and finder's fee warrants were fair valued at \$132,185 using the Black-Scholes pricing model using a share price of \$0.15, expected life of two years, and a volatility of 114.62%.

The Company used the residual value method to calculate the fair value of the tax deduction attached with the flow-through common shares and recorded an initial flow-through liability of \$208,170. During the year ended September 30, 2021, the Company spent 100% of the required flow-through expenditures under the issuance and \$208,170 was recognized to comprehensive loss as other income.

On December 21, 2020, the Company completed a private placement, raising gross proceeds of \$1,050,000 through the issuance of 5,000,001 flow-through units at \$0.21 per unit. Each unit consists of one flow-through common share and one-half of one non-flow-through common share purchase warrant. Each whole warrant entitles the holder to acquire one non-flow-through common share at a price of \$0.30 for a period of 12 months from the date of issue. The gross proceeds from the sale of the flow-through units will be used for expenditures which qualify as CEE and "flow-through mining expenditures" both within the meaning of the Income Tax Act (Canada). The Company has renounced such CEE with an effective date of December 31, 2020. The Company paid cash commissions of \$73,500 and issued an aggregate of 349,998 finder's warrants to eligible parties. Each finder's warrant entitles the holder to acquire one common share at a price of \$0.30 for a period of 12 months from the date of issue.

The finder's fee warrants were fair valued at \$20,020 using the Black-Scholes pricing model using a share price of \$0.16, expected life of one year, and a volatility of 138.20%. The Company used the residual value method to calculate the fair value of the tax deduction attached with the flow-through common shares and recorded an initial flow-through liability of \$250,000. During the year ended September 30, 2021, the Company spent 100% of the required flow-through expenditures under the issuance and \$250,000 was recognized to comprehensive loss as other income.

On February 2, 2021, the Company issued 3,000,000 common shares in relation to the Tisová and TGER properties at a price of \$0.13 per share (Note 8).

On March 1, 2021, the Company issued 1,000,000 common shares in an arm's length transaction, in exchange for another milestone payment towards the ownership of the East Bull palladium property at a price of \$0.115 per share (Note 8).

On September 24, 2021, the Company completed a private placement, raising aggregate gross proceeds of \$715,000 through the issuance of 6,217,389 flow-through units at a price of \$0.115 per unit. Each flow-through unit consists of one flow-through common share and one-half of one non-flow-through common

**11. SHARE CAPITAL AND RESERVES (continued)**

**b) Issued share capital (continued)**

share purchase warrant. Each whole warrant is exercisable into one non-flow-through common share at a price of \$0.17 for a period of 24 months from the date of issue.

The gross proceeds from the sale of the flow-through units will be used for expenditures that qualify as Canadian exploration expenses and flow-through mining expenditures, within the meaning of the Income Tax Act (Canada). The Company will renounce such CEE with an effective date of December 31, 2021. The Company paid cash commissions of \$46,550 and issued an aggregate of 404,783 finder's warrants to eligible parties. Each finder's warrant entitles the holder to acquire one common share at a price of \$0.12 for a period of 24 months from the date of issue.

The finder's fee warrants were fair valued at \$18,863 using the Black-Scholes pricing model using a share price of \$0.12, expected life of two years, and a volatility of 113.35%. The Company used the residual value method to calculate the fair value of the tax deduction attached with the flow-through common shares and recorded an initial flow-through liability of \$155,435. During the year ended September 30, 2021, the Company spent approximately 27% of the required flow-through expenditures under the issuance and \$41,581 was recognized to comprehensive loss as other income. During the year ended September 30, 2022, the Company spent an additional 49% of the required flow-through expenditures and \$77,075 was recognized to comprehensive loss as other income.

During the year ended September 30, 2021, 5,250 share purchase warrants were exercised for gross proceeds of \$630, and 100,000 stock options were exercised at \$0.14 for gross proceeds of \$14,000. During the year ended September 30, 2021, the Company issued 125,000 common shares to an arm's length party as a finder's fee as a result of the Company satisfying all obligations under the Tisová and TGER share purchase agreements to acquire 100% interest in the copper-cobalt properties.

**c) Stock options**

A continuity schedule of outstanding stock options is as follows:

|   | <b>Number<br/>Outstanding</b> | <b>Weighted Average<br/>Exercise Price<br/>(\$)</b> |
|---|-------------------------------|---|
| Balance – September 30, 2020                        | 9,010,000                     | 0.26  |
| Granted   | 4,045,000                     | 0.14  |
| Exercised   | (100,000)                     | 0.14  |
| Balance – September 30, 2021 and September 30, 2022 | 12,955,000                    | 0.23  |

The Company may grant incentive stock options to its officers, directors, employees and consultants. The Company has a fixed Stock Option Plan (the "Plan") whereby the Company has reserved 10% of the issued shares for issuance under the Plan. Options have a maximum term of ten years and terminate after a certain number of days following the termination of the optionee's term/employment, except in the case of death, in which case they terminate one year after the event. Vesting is determined by the Board of Directors.

On October 19, 2020, the Company granted consultants 370,000 stock options exercisable at \$0.14 per share for a period of 2 years. All options vested on February 7, 2021.

**11. SHARE CAPITAL AND RESERVES (continued)**

**c) Stock options (continued)**

On October 22, 2020, the Company granted consultants 500,000 stock options exercisable at \$0.14 per share for a period of 2 years. All options vested on January 22, 2021.

On October 28, 2020, the Company granted 2,200,000 stock options to directors and officers and granted 650,000 stock options to consultants, all exercisable at \$0.14 per share for a period of 5 years. An aggregate of 2,200,000 options vested on the grant date and the remainder vested on February 28, 2021.

On March 1, 2021, the Company granted consultants 250,000 stock options exercisable at \$0.15 per share for a period of 3 years. The options are subject to vesting conditions with 50% of the options vesting on grant and 50% vesting on September 1, 2021.

On May 6, 2021, the Company granted consultants 75,000 stock options exercisable at \$0.17 per share for a period of 3 years. The options are subject to vesting conditions with 2/3 of the options vesting on July 1, 2021 and 1/3 vesting on August 1, 2021.

During the year ended September 30, 2022, the Company recognized \$8,240 (2021 - \$438,115) in share-based compensation relating to options vesting during the year.

As at September 30, 2022, the Company had incentive stock options enabling the holders to acquire further common shares as follows:

| <b>Expiry Date</b> | <b>Options Outstanding</b> | <b>Options Exercisable</b> | <b>Weighted Average Exercise Price (\$)</b> | <b>Weighted Average Remaining Life (years)</b> |
|--------------------|----------------------------|----------------------------|---|--|
| October 22, 2022   | 500,000                    | 500,000                    | 0.01  | 0.00   |
| October 19, 2022   | 370,000                    | 370,000                    | 0.00  | 0.00   |
| August 9, 2023     | 2,550,000                  | 2,550,000                  | 0.08  | 0.17   |
| October 2, 2023    | 300,000                    | 300,000                    | 0.01  | 0.02   |
| October 16, 2023   | 500,000                    | 500,000                    | 0.01  | 0.04   |
| October 24, 2023   | 100,000                    | 100,000                    | 0.00  | 0.01   |
| June 4, 2024       | 2,560,000                  | 2,560,000                  | 0.04  | 0.33   |
| February 11, 2025  | 3,000,000                  | 3,000,000                  | 0.05  | 0.55   |
| March 1, 2024      | 250,000                    | 250,000                    | 0.00  | 0.03   |
| May 6, 2024        | 75,000                     | 75,000                     | 0.00  | 0.01   |
| October 28, 2025   | 2,750,000                  | 2,750,000                  | 0.03  | 0.65   |
|                    | <b>12,955,000</b>          | <b>12,955,000</b>          | <b>0.23</b>                                 | <b>1.82</b>                                    |

**11. SHARE CAPITAL AND RESERVES** (continued)

**d) Share purchase warrants**

A continuity schedule of outstanding share purchase warrants is as follows:

|                              | <b>Number<br/>Outstanding</b> | <b>Weighted Average<br/>Exercise Price<br/>(\$)</b> |
|------------------------------|-------------------------------|---|
| Balance – September 30, 2020 | 50,700,411                    | 0.22  |
| Granted                      | 20,412,224                    | 0.19  |
| Expired                      | (50,700,411)                  | 0.22  |
| Exercised                    | (5,250)                       | 0.12  |
| Balance – September 30, 2021 | 20,406,974                    | 0.19  |
| Expired                      | (2,849,998)                   | 0.30  |
| Balance – September 30, 2022 | 17,556,976                    | 0.17  |

During the year ended September 30, 2022, 2,849,998 warrants expired unexercised. During the year ended September 30, 2021, an aggregate of 5,250 warrants were exercised for gross proceeds of \$630.

As at September 30, 2022, the Company had 17,556,976 share purchase warrants outstanding.

| <b>Expiry Date</b> | <b>Warrants<br/>Outstanding</b> | <b>Exercise Price<br/>(\$)</b> | <b>Weighted Average<br/>Remaining Life<br/>(years)</b> |
|--------------------|---------------------------------|--------------------------------|--|
| October 6, 2022    | 1,396,500                       | 0.12                           | 0.00   |
| October 6, 2023    | 12,647,000                      | 0.18                           | 0.73   |
| September 24, 2023 | 404,783                         | 0.12                           | 0.02   |
| September 24, 2023 | 3,108,693                       | 0.17                           | 0.17   |
|                    | 17,556,976                      |                                | 0.93   |

**12. RELATED PARTY TRANSACTIONS**

The Company's key management personnel consist of directors, officers and companies owned or controlled in whole or in part by officers and directors. Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed by the related parties). The following summarizes the Company's related party transactions during the year ended September 30, 2022 and 2021:

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**12. RELATED PARTY TRANSACTIONS (continued)**Key Management Compensation

|                                   | <b>2022</b>    | <b>2021</b>    |
|-----------------------------------|----------------|----------------|
|                                   | <b>(\$)</b>    | <b>(\$)</b>    |
| Consulting fees (b)               | 120,000        | 120,000        |
| Management fees (c and d)         | 210,000        | 210,000        |
| Share-based payments (Note 11(c)) | -              | 233,860        |
|                                   | <b>330,000</b> | <b>563,860</b> |

- a) As at September 30, 2022, included in accounts payable and accrued liabilities was \$458,510 (September 30, 2021 - \$105,490) owing to current and former officers and directors and companies.
- b) During the year ended September 30, 2022, \$120,000 (2021 - \$120,000) was paid or accrued to the CFO and Corporate Secretary for services rendered and included in Consulting Fees.
- c) During the year ended September 30, 2022, \$120,000 (2021 - \$120,000) was paid or accrued to the CEO for services rendered, and included in Management Fees.
- d) During the year ended September 30, 2022, \$90,000 (2021 - \$90,000) was paid or accrued to the Chair of the board of directors for services rendered, and included in Management Fees.
- e) As of September 30, 2022 \$362,235 (September 30, 2021 - \$81,757) in notes payable was payable to corporations controlled by the CEO of the Company. The notes payable are unsecured, interest free and repayable on demand.
- f) Accounts payable as of September 30, 2022 includes \$12,042 (September 30, 2021 - \$12,042) in accrued interest payable to corporations controlled by the CEO of the Company in relation to notes payable that have been repaid.

**13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT***Financial risk management*

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, short-term investments, receivables, restricted deposits, accounts payable and notes payable.

The Company classified its cash and short-term investments as fair value through profit or loss; receivables and restricted deposits as amortized cost; and accounts payable and notes payable as amortized cost. The fair values of cash and short-term investments are measured on the statement of financial position using level 1 of the fair value hierarchy. The fair values of receivables, restricted deposits, accounts payable and notes payable approximate their book values because of the short-term nature of these instruments.



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**13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

*Financial instrument risk exposure*

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

*Credit risk*

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its payment obligations. The Company has no material counterparties to its financial instruments with the exception of the financial institutions which hold its cash. The Company manages this credit risk by ensuring that these financial assets are placed with a major financial institution with strong investment grade ratings by a primary ratings agency. The Company's receivables consist primarily of goods and services tax due from the government and other receivables; the balances are in good standing as at September 30, 2022. The Company does not believe it has a material exposure to credit risk.

*Liquidity risk*

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts which are available on demand. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support its normal operating requirements.

The Company's ongoing liquidity is impacted by various external events and conditions. The Company expects to repay its financial liabilities, consisting of accounts payable and notes payable, in the normal course of operations and to fund future operational and capital requirements future equity and debt financing.

To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will seek to secure additional funds through long term debt and equity transactions.

*Interest rate risk*

The Company is exposed to interest rate risk. The Company's bank account earns interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. Interest rate risk is minimal as the Company does not have significant interest-bearing assets or any variable interest bearing liabilities that are tied into market rates.

*Foreign exchange risk*

The Company is not exposed to any significant foreign currency risk.

*Commodity price risk*

The Company is 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 of precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

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**14. MANAGEMENT OF CAPITAL**

The Company all components of shareholders' equity as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company is not subject to any externally imposed capital requirements.

The Company manages the 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 or acquire or dispose of assets.

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.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury invested in certificates of deposit with major financial institutions.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. There have been no changes to the Company's approach to capital management during the year ended September 30, 2022.

**15. SEGMENTED INFORMATION**

The Company operates in one industry segment being the acquisition and exploration of mineral exploration and evaluation assets. The total assets attributable to the geographical locations relate primarily to exploration and evaluation assets that are located in Canada and Europe.

**16. COMMITMENTS**

The Company entered into a cost sharing arrangement agreement for the provision of office space and various administrative services in Vancouver, BC. Under the terms of the agreement, the Company will pay \$8,470 effective February 1, 2020 and continuing until the expiration of the underlying head lease on July 31, 2021. Effective July 1, 2020, the Company moved offices, terminated the cost-sharing agreement and entered into a new cost-sharing agreement for the new office on a month-to-month basis at the same rate. The Company also entered into a lease agreement for office space in Calgary, AB, effective September 1, 2020. The Company paid \$1,558 per month for the Calgary-based office until the termination of the lease, on August 31, 2021. As of September 30, 2022, the Company did not have any commitments.

**17. SUPPLEMENTAL CASH FLOW INFORMATION**

|  | <b>2022</b> | <b>2021</b> |
|--|-------------|-------------|
|  | <b>(\$)</b> | <b>(\$)</b> |
| <b>Interest paid during the year</b>                     | -           | -           |
| <b>Income taxes paid during the year</b>                 | -           | -           |
| <b>Supplemental Disclosure of Cash Flow Information:</b> |             |             |
| Fair value of warrants exercised                         | -           | 1,125       |
| Fair value of options exercised                          | -           | 3,370       |
| Fair value of finder's warrants issued                   | -           | 13,750      |
| Shares issued for exploration and evaluation assets      | 100,000     | 505,000     |
| Recognition of flow-through liability                    | -           | (624,235)   |

**18. INCOME TAXES**

**a) Provision for Income Taxes**

A reconciliation of the combined Canadian federal and provincial income taxes at statutory rates and the Company's effective income tax expense is as follows

|  | <b>2022</b> | <b>2021</b> |
|--|-------------|-------------|
|  | <b>(\$)</b> | <b>(\$)</b> |
| Loss for the year  | (3,825,586) | (3,988,450) |
| Expected income tax recovery                                       | (1,033,000) | (1,077,000) |
| Permanent differences  | 27,000      | 96,000      |
| Change in statutory, foreign tax, foreign exchange rates and other | 172,000     | 54,000      |
| Share issue cost   | (77,000)    | (53,000)    |
| Change in unrecognized deductible temporary differences            | 911,000     | 202,000     |
| Impact of flow through shares                                      | -           | 778,000     |
| <b>Income tax expense</b>  | <b>-</b>    | <b>-</b>    |

**18. INCOME TAXES** (continued)

**b) Deferred Income Taxes**

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consists of the following amounts:

|                                   | <b>2022</b> | <b>2021</b> |
|-----------------------------------|-------------|-------------|
|                                   | <b>(\$)</b> | <b>(\$)</b> |
| Non-capital losses carry-forward  | 3,898,000   | 3,505,000   |
| Exploration and evaluation assets | 1,299,000   | 1,437,000   |
| Property and Equipment            | 3,000       | 4,000       |
| Share issuance costs              | 44,000      | 146,000     |
| Marketable securities             | -           | (56,000)    |
|                                   | 5,244,000   | 5,036,000   |
| Unrecognized deferred tax assets  | (5,244,000) | (5,036,000) |
|                                   | -           | -           |

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

| <b>Temporary Differences</b>                    | <b>2022</b> | <b>Expiry Date<br/>Range</b> |
|---|-------------|------------------------------|
|   | <b>(\$)</b> |                              |
| Canadian eligible capital                       | 13,000      | No expiry date               |
| Share issuance costs                            | 993,000     | 2039 to 2042                 |
| Exploration and evaluation assets               | 21,314,000  | No expiry date               |
| Investment tax credit                           | 146,000     | 2022 to 2039                 |
| Marketable securities                           | (775,000)   | No expiry date               |
| Allowable capital losses                        | -           | -                            |
| Non-capital losses available for future periods | 14,427,000  | 2028 to 2041                 |

Tax attributes are subject to review, and potential adjustment, by tax authorities.