

Titus Energy Corp.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

MAY 31, 2022 AND 2021

(EXPRESSED IN CANADIAN DOLLARS)

Titus Energy Corp.

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(EXPRESSED IN CANADIAN DOLLARS)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Titus Energy Corp. Corp.

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2022 and May 31, 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of \$71,865 for the year ended May 31, 2022 (2021 - \$40,323) and has incurred cumulative losses from inception in the amount of \$1,808,074 at May 31, 2022. These conditions, along with other matters as set forth in Note 1, 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. The other information comprises the Management Discussion and Analysis.

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

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

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and

appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is George G. Lovrics.

Stera & Lovrics LLP

Toronto, Ontario
September 28, 2022

Chartered Professional Accountants
Licensed Public Accountants

TITUS ENERGY CORP.
STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)
AS AT MAY 31

		2022	2021
	Notes	\$	\$
ASSETS			
CURRENT			
Cash		58,246	95,070
HST/GST receivable		-	1,440
TOTAL ASSETS		58,246	96,510
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		58,934	25,333
		-	-
		58,934	25,333
SHAREHOLDERS' EQUITY			
SHARE CAPITAL	3(b)	1,807,386	1,807,386
DEFICIT		(1,808,074)	(1,736,209)
TOTAL SHAREHOLDERS' EQUITY		(688)	71,177
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		58,246	96,510
NATURE OF OPERATIONS AND GOING CONCERN	1		
CONTINGENCIES AND COMMITMENTS	4		
APPROVED ON BEHALF OF THE BOARD			
<u>"Binyomin Posen"</u>	Director		
<u>"Myra Bongard"</u>	Director		

See the accompanying notes to the financial statements

TITUS ENERGY CORP.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED MAY 31

	2022	2021
	\$	\$
EXPENSES		
General and administrative	10,515	-
Public company fees	3,113	12,740
Professional fees	58,237	27,583
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	71,865	40,323
NET LOSS PER SHARE - Basic and diluted	0.02	0.00
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - Basic and diluted *	4,090,139	1,202,662

* On March 16, 2022, shares were consolidated on a 32.45:1 basis. All share numbers in the current and prior periods have been adjusted to reflect the change.

See the accompanying notes to the financial statements

TITUS ENERGY CORP.
STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED MAY 31, 2022 AND 2021

	Capital Stock #	Capital Stock \$	(Deficit) \$	Total \$
BALANCE, MAY 31, 2020	392,142	1,687,386	(1,695,886)	(8,500)
Issue of shares for cash	3,697,997	120,000	-	120,000
Loss and comprehensive loss	-	-	(40,323)	(40,323)
BALANCE, MAY 31, 2021	4,090,139	1,807,386	(1,736,209)	71,177
Loss and comprehensive loss	-	-	(71,865)	(71,865)
BALANCE, MAY 31, 2022	4,090,139	1,807,386	(1,808,074)	(688)

* On March 16, 2022, shares were consolidated on a 32.45:1 basis. All share numbers in the current and prior periods have been adjusted to reflect the change.

See the accompanying notes to the financial statements

TITUS ENERGY CORP.
STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED MAY 31,

	2022	2021
	\$	\$
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss and comprehensive loss for the year	(71,865)	(40,323)
Changes in non-cash components of working capital		
Increase in HST/GST receivable	1,440	(1,440)
Increase (decrease) in accounts payable and accrued liabilities	33,601	16,833
Cash flow used in operating activities	(36,824)	24,930
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Issuance of share capital	-	120,000
Cash flow provided by financing activities	-	120,000
Increase in cash for the year	(36,824)	95,070
CASH, beginning of the year	95,070	-
CASH, end of the year	58,246	95,070

See the accompanying notes to the financial statements

TITUS ENERGY CORP.
Notes to Financial Statements
Years ended May 31, 2022 and 2021
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Titus Energy Corp. (the “Company”) was incorporated as “Titus Capital Corp.” under the British Columbia Business Corporations Act on February 17, 2010 and was classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange (the “Exchange”) until it completed its Qualifying Transaction (the “QT”) on December 20, 2012. The Company’s head office, principal address and registered and records office is Suite 801, 1 Adelaide Street, Toronto, ON M5C 2V9. Effective December 21, 2012, the Exchange accepted for filing the Company’s QT and related transactions, all as principally described in its filing statement dated December 6, 2012 (the “Filing Statement”). As a result, the Company is no longer considered as a Capital Pool Company, and changed its name to “Titus Energy Corp.” Effective December 21, 2012, the common shares of “Titus Energy Corp.” commenced trading on the Exchange. The Company’s trading symbol was TIS. Effective December 5, 2014, the Company was voluntarily delisted from the Exchange.

The Company’s securities are not presently listed on any stock exchange. In addition, the Company’s securities were subject to a cease trade order issued by the British Columbia Securities Commission dated May 12, 2015, and by the Alberta Securities Commission on August 11, 2015 (the “Cease Trade Order”), for failure to file certain continuous disclosure filings required under applicable securities laws. On May 19, 2021, the Company announced that the Cease Trade Orders of the British Columbia Securities Commission and Alberta Securities Commission were revoked.

The financial statements of the Company have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company’s continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. During the year ending May 31, 2022, the Company incurred a net loss of \$71,865 (2021 - \$40,323) and, as of this date, the Company has not generated revenue from operations and has an accumulated deficit of \$1,808,074. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Such adjustments could be material.

Since January 1, 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada and the USA, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services

TITUS ENERGY CORP.
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have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Governments and central banks have responded.

At this time, there is no material impact on company's operations and financial results. The Company has determined that these events are non-adjusting subsequent events. Accordingly, the balance sheet and results of operations as of and for the year ended May 31, 2022 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, including the closure of non-essential businesses for an undetermined period of time, remains unclear. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

These financial statements of the Company were approved and authorized for issue by the Board of Directors (the "Board") on September 28, 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements of the Company and its subsidiary were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). The policies set out below were consistently applied to all periods presented unless otherwise noted.

(b) Basis of preparation and presentation

These financial statements have been prepared under the historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The financial statements are presented in Canadian dollars, which is also the Company's functional currency.

(c) Share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which the options vest. The offset to the recorded cost is share-based payment reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payment reserve is transferred to share capital. Upon expiry, the value is transferred to deficit.

At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in the statement of operations such that the cumulative expense reflects the revised

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estimate, with a corresponding adjustment to the share-based payment reserve. Where the terms and conditions of options are modified, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of operations.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(d) Income taxes

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in the statement of operations except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements unless such differences arise from goodwill or the initial recognition (other than in a business combination) of other assets or liabilities in a transaction that affects neither the taxable profit nor the accounting profit or loss. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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(e) Loss per common share

Basic loss per share is calculated using the weighted average number of shares outstanding. The diluted loss per share assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share. See Notes 3(c), and (d) for details on the Company's potentially dilutive securities. The Company had no outstanding stock options for the years ended May 31, 2022 and 2021.

(f) Significant accounting judgements and estimates

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting judgments

- the measurement of income taxes payable and deferred tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. Deferred tax assets require management to assess the likelihood that the Company will generate taxable income in future periods in order to utilize recognized deferred tax assets;
- going concern presentation of the financial statements which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due; and
- management's determination that the functional currency of the Company is the Canadian Dollar.

(g) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that

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reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

As at May 31, 2022 and May 31, 2021, the Company did not have any provisions.

(h) Financial Instruments

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Corporation can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the statement of loss and comprehensive loss for the period. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

The following table summarizes the classification and measurement for each financial instrument:

Financial Instrument	Classification
Cash	FVTPL
Amounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

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Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

As of May 31, 2022, the Company's cash is recorded at fair value in the statements of financial position.

(i) New accounting standards not adopted, during the year

New standards adopted

New standards and interpretations not yet adopted

The standards and interpretation that are issued, but not effective, and is currently evaluating their impact on the Company's financial statements.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

Clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period" and clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability making clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2022. There is currently a proposal in place to extend effective date for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for

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the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

3. CAPITAL STOCK

The capital stock is as follows:

- (a) Authorized
 - Unlimited number of common shares
 - Unlimited number of preferred shares, issuable in series
- (b) Issued

	Common Shares *	Amount
	#	\$
Balance, May 31, 2020	392,142	1,687,386
Issued for shares	3,697,997	120,000
Balance, May 31, 2022 and 2021	4,090,139	1,807,386

* On March 16, 2022, shares were consolidated on a 32.45:1 basis. All share numbers in the current and prior periods have been adjusted to reflect the change. On March 12, 2021, the Company issued 3,697,997 common shares for proceeds of \$120,000.

- (b) Stock Options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 10 years from the date of grant. In connection with the foregoing, the number of common shares reserved for Titus Energy Corp. issuance to any one optionee will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised no later than 90 days following cessation of the optionee's

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position with the Company or 30 days following cessation of an optionee conducting investor relations activities' position.

The Company did not grant options during the years ended May 31, 2022 nor May 31, 2021. The Company does not have stock options outstanding at May 31, 2022 nor at May 31, 2021.

(c) Warrants

As of May 31, 2022 and 2021 there were no outstanding warrants to purchase common shares of the Company.

4. CONTINGENCIES AND COMMITMENTS

Environmental contingencies

The Company's previous exploration activities were subject to various laws and regulations governing the protection of the environment. These laws and regulations continually change and generally become more restrictive. The Company believes its operations were in material compliance with all applicable laws and regulations when it disposed of the exploration properties. The Company does not believe it will be required to make any further expenditures to comply with such laws and regulations.

5. RELATED PARTY TRANSACTIONS

Related parties include directors, officers, close family members, certain consultants and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The Company did not report any remuneration of directors and key management personnel for the year ended May 31, 2022 or May 31, 2021.

There were no amounts due to related parties at May 31, 2022 or May 31, 2021.

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6. FINANCIAL RISK FACTORS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures from previous periods.

(a) Credit Risk

The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to cash, and financial instruments included in amounts receivable is remote.

(b) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet its obligations when due. At May 31, 2022, the Company had cash of \$58,246 (May 31, 2021 - \$95,070) available to settle current liabilities of \$58,934 (May 31, 2021 - \$25,333). The Company's accounts payable are subject to normal trade terms.

(c) Market Risk

The Company is exposed to the following market risks:

(d) Interest Rate Risk

The Company has cash balances and no variable interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at May 31, 2022, the cash balance was in a trust account administered by the Company's lawyers and no interest was being earned on this account.

(e) Foreign Exchange Risk

While the Company's functional currency is the Canadian dollar, major purchases could be transacted in Canadian dollars or United States dollars. As at May 31, 2022, the Company does not hold foreign currency balances.

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(Expressed in Canadian Dollars)

7. INCOME TAXES

- (a) The items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26% (2021 – 26%) are as follows:

	2022	2021
	\$	\$
Loss before income taxes	71,865	40,323
Expected income tax recovery	19,000	10,000
Adjustments to benefit resulting from:		
Benefit of tax losses not recognized	(19,000)	(10,000)
Deferred income tax recovery	-	-

- (b) Tax benefits from non-capital loss carry-forwards have not been recorded in the financial statements. These losses, which may reduce taxable income in future years, amount to approximately \$807,658 and expires as follows:

Year	Exploration and evaluation assets	Loss carry- forwards
2030	\$ -	\$ 36,167
2031	-	43,806
2032	-	94,957
2033	-	212,933
2034	-	216,056
2035	-	63,324
2036	-	13,637
2037	-	6,090
2038	-	-
2039	-	-
2040	-	8,500
2041		40,323
2042		71,865
No expiry	1,100,185	-
	<u>\$ 1,100,185</u>	<u>\$ 807,658</u>

- (c) The Company has Canadian development and exploration expenditure pools for tax purposes of \$1,100,185 at May 31, 2022 and May 31, 2021 that may, in certain situations be applied to reduce taxable income in subsequent years.
- (d) Unrecognized deferred tax assets

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Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2022	2021
	\$	\$
Non-capital loss carry-forwards	209,991	191,306
Exploration and evaluation assets	286,048	286,048
Total	496,039	477,354

Deferred tax assets have not been recognized in respect of these items because it is not probable at this time that future taxable profit will be available against which the Company can use the benefits.

8. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis.

The Company's equity comprises of share capital and accumulated deficit, which at May 31, 2022 was a deficit of \$688 (May 31, 2021 – surplus of \$71,177).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the year ended May 31, 2022. The Company is not subject to external capital requirements.

8. SUBSEQUENT EVENT

On September 2, 2022, the Company closed a non-brokered private placement. The Company issued 785,184 Units at a price of \$0.02 per Unit for aggregate gross proceeds of \$15,704. Each Unit

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is comprised of one (1) common share in the capital of the Company (the “Common Share”), and 0.85 of a Common Share purchase warrant (each whole warrant a “Warrant”). Each full Warrant is exercisable to acquire one (1) Common Share (a “Warrant Share”) at a price of \$0.10 per Warrant Share for a period of two (2) years from the date of issuance.

Further, the Company entered into debt settlement agreements with certain creditors to settle \$104,741 of outstanding liabilities. The Company issued 5,237,072 Units at a deemed price of \$0.02 per Unit in settlement of the outstanding liabilities. The Units are identical to those issued on September 2, 2022.