
PURANIUM ENERGY LTD (formerly MONTEREY MINERALS INC.)

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Puranium Energy Ltd (formerly Monterey Minerals Inc)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Puranium Energy Ltd (formerly Monterey Minerals Inc) (the Company), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

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

Material Uncertainty Relating to Going Concern

We draw your attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$1,397,300 during the year ended December 31, 2021. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual management's discussion and analysis, but does not include the consolidated financial statements and our auditor's report thereon.

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 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, 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, 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 relating 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 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 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 consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism 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 auditor's 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 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 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.



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 Pat Kenney.

Clearhouse LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
May 2, 2022

Puranium Energy Ltd. (formerly Monterey Minerals Inc.)

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

| | As at December 31, 2021 | As at December 31, 2020 |
|--|-------------------------------|-------------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 836,024 | \$ 320,550 |
| Loan receivable (note 5) | - | 10,018 |
| Prepaid expenses and deposits (note 10) | 174,983 | 27,718 |
| Government remittance recoverable | 20,583 | 60,010 |
| Marketable securities (note 6) | - | 66,386 |
| Total current assets | 1,031,590 | 484,682 |
| Right-of-use asset (note 8) | 7,141 | 24,279 |
| Mineral property interest (note 13) | - | - |
| Total Assets | \$ 1,038,731 | \$ 508,961 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (notes 10 and 12) | \$ 49,340 | \$ 241,029 |
| Lease liability (note 9) | 11,675 | 21,682 |
| Loans payable (note 14) | - | 87,758 |
| Total current liabilities | 61,015 | 350,469 |
| Non-Current liabilities | | |
| Lease liability (note 9) | - | 7,271 |
| Total Liabilities | 61,015 | 357,740 |
| Shareholders' Equity | | |
| Share capital (note 10(a)) | 9,956,180 | 8,305,778 |
| Reserves (notes 10 (b) and (c)) | 2,577,134 | 2,003,134 |
| Accumulated other comprehensive loss | (3,332) | (2,725) |
| Accumulated deficit | (11,552,266) | (10,154,966) |
| Total shareholders' equity | 977,716 | 151,221 |
| Total Liabilities and Equity | \$ 1,038,731 | \$ 508,961 |

Nature of operations and going concern (notes 1 and 2)
Subsequent events (note 18)

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

Approved by the Board of Directors:

Director: Jason Bagg _____

Puraniium Energy Ltd. (formerly Monterey Minerals Inc.)

Consolidated Statements of Loss and Comprehensive Loss

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

| | Year Ended December 31, | |
|---|----------------------------|----------------|
| | 2021 | 2020 |
| Expenses | | |
| Mineral acquisition and exploration (note 13) | \$ 876,250 | \$ 175,407 |
| Investor relations and communication | 10,029 | 242,638 |
| Share-based payments (note 10(b)) | - | 138,645 |
| Consulting (note 16) | 310,330 | 516,806 |
| Transfer agent and filing fees | 19,240 | 29,336 |
| General and administration | 81,797 | 91,471 |
| Depreciation of right of use asset (note 8) | 17,138 | 17,139 |
| Salaries and wages | - | 15,272 |
| Travel | - | 3,092 |
| Net loss before below items | (1,314,784) | (1,229,806) |
| Gain on disposition of marketable securities (note 4) | 26,445 | 8,539 |
| Gain on settlement of debt | 24,000 | - |
| Other income | - | 10,508 |
| Net loss from continuing operations for the year | \$ (1,264,339) | \$ (1,210,759) |
| Net loss from discontinued operation for the year (note 4) | (132,961) | (5,064,786) |
| Total net loss for the year | \$ (1,397,300) | \$ (6,275,545) |
| Other comprehensive loss: | | |
| Foreign currency translation adjustment | (607) | (2,725) |
| Total comprehensive loss for the year | \$ (1,397,907) | \$ (6,278,270) |
| Basic and diluted loss per share | | |
| - continued operations | \$ (0.80) | \$ (5.10) |
| - discontinued operations | \$ (0.08) | \$ (4.12) |
| Weighted average number of shares outstanding (i) | 1,586,184 | 1,229,244 |

(i) Adjusted for 80:1 share consolidation effective July 27, 2021.

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

Puranium Energy Ltd. (formerly Monterey Minerals Inc.)

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

| | | Share Capital | | Reserves | Other Comprehensive Income (loss) | Accumulated Deficit | Total |
|---|---|---------------|--------------|--------------|-----------------------------------|---------------------|-------------|
| | | Number | Amount | | | | |
| Balance, December 31, 2019 | - | 751,833 | \$ 3,535,097 | \$ 357,980 | \$ - | \$ (3,879,421) | \$ 13,656 |
| Shares issued for acquisition (note 10) | - | 737,500 | 4,676,250 | - | - | - | 4,676,250 |
| Shares issued in private placements | - | 407,375 | 1,629,500 | - | - | - | 1,629,500 |
| Share issuance costs in private placements | - | - | (46,621) | - | - | - | (46,621) |
| Fair value of warrants and broker warrants issued in private placements | - | - | (1,506,509) | 1,506,509 | - | - | - |
| Proceeds received for shares to be issued | - | 6,450 | 18,061 | - | - | - | 18,061 |
| Stock-based payment (note 10) | - | - | - | 138,645 | - | - | 138,645 |
| Comprehensive income (loss) for the period | - | - | - | - | (2,725) | (6,275,545) | (6,278,270) |
| Balance, December 31, 2020 | - | 1,903,158 | \$ 8,305,778 | \$ 2,003,134 | \$ (2,725) | \$ (10,154,966) | \$ 151,221 |
| Balance, December 31, 2020 | | 1,903,158 | \$ 8,305,778 | \$ 2,003,134 | \$ (2,725) | \$ (10,154,966) | \$ 151,221 |
| Shares issued for exploration consulting services (note 10) | | 11,818 | 22,902 | - | - | - | 22,902 |
| Shares issued for acquisition (note 13) | | 1,800,000 | 819,000 | - | - | - | 819,000 |
| Shares issued in private placements | | 3,930,000 | 982,500 | - | - | - | 982,500 |
| Shares issued in debt settlement | | 1,600,000 | 400,000 | - | - | - | 400,000 |
| Fair value of warrants issued in private placements and debt settlement | | - | (574,000) | 574,000 | - | - | - |
| Comprehensive loss for the period | | - | - | - | (607) | (1,397,300) | (1,397,907) |
| Balance, December 31, 2021 | | 9,244,976 | \$ 9,956,180 | \$ 2,577,134 | \$ (3,332) | \$ (11,552,266) | \$ 977,716 |

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

Purani Energy Ltd. (formerly Monterey Minerals Inc.)

Consolidated Statements of Cash Flows (Expressed in Canadian Dollars)

| Year ended December 31, | 2021 | 2020 |
|--|-------------------|--------------------|
| Operating Activities | | |
| Net loss for the period | \$ (1,397,300) | \$ (6,275,545) |
| Items not affecting cash: | | |
| Foreign exchange | (5,280) | 4,452 |
| Share-based payments | - | 138,645 |
| Shares issued for exploration consulting services | 22,901 | 18,061 |
| Gain on disposition of marketable securities | (26,445) | (21,022) |
| Accretion of lease liability | 234 | 473 |
| Depreciation of right-of-use asset | 17,139 | 17,139 |
| Exploration expenses recognized on asset acquisition | 819,000 | 4,637,791 |
| Unrealized gain on marketable securities | - | 12,483 |
| Non-cash property option receipts | (72,214) | (282,240) |
| Shares issued for interest on loans | 6,420 | - |
| Gain on write down of account payable | (24,000) | - |
| Changes in non-cash operating working capital: | | |
| Prepaid expenses and deposits | 17,735 | 20,855 |
| Government remittances recoverable | 39,427 | (1,953) |
| Repayment of lease liabilities | (17,512) | (17,511) |
| Accounts payable and accrued liabilities | 45,891 | 169,903 |
| Cash (used in) operating activities | (574,004) | (1,578,469) |
| Investing Activities | | |
| Loan receivable | 10,018 | - |
| Cash obtained upon acquisition of Greater Arc | - | 28,126 |
| Proceeds from disposition of marketable securities | 164,351 | 227,057 |
| Cash provided by investing activities | 174,369 | 255,183 |
| Financing Activities | | |
| Proceeds from loans payable | 180,000 | - |
| New shares issued, net of share issuance costs | 817,500 | 1,629,500 |
| Issuance cost | - | (46,621) |
| Loan repayment | (81,784) | (7,117) |
| Cash provided by financing activities | 915,716 | 1,575,762 |
| Change in cash during the period | 516,081 | 252,476 |
| Impact of foreign exchange rate on cash | (607) | (2,725) |
| Cash, beginning of the period | 320,550 | 70,799 |
| Cash, end of the period | \$ 836,024 | \$ 320,550 |
| Non-cash investing and financing activities | | |
| Shares issued for exploration consulting services | \$ 22,902 | \$ 18,061 |
| Shares issued for mineral interests | \$ 819,000 | \$ - |
| Shares issued for interest on loans | \$ 6,420 | \$ - |

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

Puranium Energy Ltd. (formerly Monterey Minerals Inc.)

Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

1. Nature of operations

Puranium Energy Ltd.(formerly Monterey Minerals Inc.) (the "Company") was incorporated on May 9, 2014 under the laws of British Columbia, Canada. Its head office is located at 777 Hornby Street, Suite 600, Vancouver, BC V6Z 1S4, Canada. The Company's common shares are listed on the Canadian Securities Exchange ("CSE") under the symbol UX.

On June 26, 2018, Monterey Minerals Inc. ("Former Monterey") and Landsdown Holdings Ltd. completed a share exchange public listing transaction pursuant to a Share Exchange Agreement (the "SEA"). This resulted in the former Landsdown shareholders acquiring control of the Company, after which the Company effected a change in directors, management and business.

Under the terms of the SEA, Former Monterey acquired all of the issued and outstanding common shares of Landsdown based on a 1:1 share exchange ratio. Based on the distribution of shareholdings on completion of the SEA, Landsdown is deemed to be the continuing entity for financial reporting purposes. The transaction constituted a reverse acquisition.

Prior to the SEA, on October 19, 2016, Former Monterey incorporated four wholly owned subsidiaries: 1093681 BC Ltd., 1093682 BC Ltd., 1093683 BC Ltd., and Blue Aqua Holdings Ltd. (formerly 1093684 B.C. Ltd.) ("Subcos") setup for proposed arrangement transactions. Former Monterey set the share distribution record date of a plan of an arrangement at close of business on April 18, 2018 whereby each Subcos would issue 1,010,549 common shares to shareholders of the Company. Blue Aqua Holdings Ltd. was spun out effective June 12, 2018 with the remaining Subcos spun out on August 28, 2018.

During the year ended December 31, 2019, the Company acquired one mineral property interest located in Canada and three mineral property interests located in Australia (note 13).

On February 28, 2020, the Company issued 625,000 common shares to Greater Arc Resources Limited ("GAR Ltd.") in accordance with the letter of intent ("LOI") with GAR Ltd. to purchase its wholly owned subsidiary Greater Arc Pty Ltd. ("Greater Arc") which owns the Alicia high-grade gold and base metals project in Alicia Municipality, Philippines ("Alicia Project"). On April 1, 2020, the Company issued 312,500 additional common share as per the LOI. On May 22, 2020, the Company signed a definitive agreement (the "DFA") with GAR Ltd. to purchase Greater Arc. On August 13, 2020, the Company closed the acquisition of Greater Arc for 54 million common shares of the Company. In connection with this transaction, the Company also paid a finders' fee of 5 million common shares (note 7). During the year ended December 31, 2021, the Company disposed of Inner Arc Pty Ltd. the subsidiary that owns the Alicia Project (note 4).

On November 17, 2021, the Company purchased a private company ("PrivateCo") that has an option to purchase a 100% interest in 35 minerals claims in Ontario, Canada (the "Haines Property") (see note 7).

On July 27, 2021, the Company consolidated its outstanding common shares on the basis of one (1) post-consolidation common share for every eighty (80) pre-consolidation common shares. All historical share and per share data, including stock options and warrants, presented in this consolidated financial statements have been retrospectively adjusted to reflect the Share Consolidation.

On March 24, 2022, Monterey Minerals Inc. changed its name to Puranium Energy Ltd. and on April 5, 2022 starting trading under the symbol UX on the CSE.

The COVID-19 pandemic has not resulted in any material impact on operations and the Company currently does not expect it will impact its 2021 exploration activities. Preventative measures are in place to ensure the well-being of employees and contractors and no risks were noted at the end of the reporting period. Management continues to monitor the situation at the site and corporate office to identify any issues that may affect operational or financial reporting activities.

Puranium Energy Ltd. (formerley Monterey Minerals Inc.)

Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

2. Going concern

These consolidated financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Accordingly, it does not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern, and, therefore be required to realized its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in these consolidated financial statements. Such adjustments could be material.

At December 31, 2021, the Company had not yet achieved profitable operations and had accumulated losses of \$11,552,266 (December 31, 2020 - \$10,154,966). For the year ended December 31, 2021, the Company had a net loss of \$1,397,300 (year ended December 31, 2020 - net loss of \$1,210,759). The Company expects to incur further losses in the development of its business, all of which raise material uncertainties which casts significant doubt about the Company's ability to continue as a going concern.

A number of alternatives including, but not limited to selling an interest in one or more of its properties or completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due; all of which are uncertain.

3. Significant accounting policies

(a) Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended December 31, 2021. The policies set out below are based on IFRS issued and outstanding as of May 2, 2022, the date of the Directors approved the statements.

(b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measure at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Functional and Presentation Currency

The consolidated financial statements have been prepared in Canadian dollars, which is the Company's functional and presentation currency.

Puranium Energy Ltd. (formerley Monterey Minerals Inc.)

Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

(d) Significant Accounting and Estimates and Judgements

The preparation of these consolidated financial statements in conformity with IFRS 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 the reported revenues and expenses during the year. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout these consolidated 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 estimates and judgments:

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, relate to, but are not limited to, the following:

- Income taxes - measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only become final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements;
- Capital reserves – the inputs used in accounting for share-based payment transactions, including stock options and warrants,
- Assessment of the acquisition of the PrivateCo. (note 13). This required management to make a determination as to whether it met the definition of a business pursuant to IFRS 3 – Business Combinations;
- Recognition of deferred income tax assets - In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified;
- Going concern - management must make an assessment as to the going concern basis of accounting and uncertainties associated with the Company's ability to raise additional capital and/or obtain financing to advance the exploration properties; and
- Site decommissioning obligations - the Company recognizes a provision for future abandonment activities in the financial statements equal to the net present value of the estimated future expenditures required to settle the estimated future obligation at the statement of financial position date. The measurement of the decommissioning obligation involves the use of estimates and assumptions including the discount rate, the expected timing of future expenditures and the amount of future abandonment costs. The estimates are made by management and external consultants considering current costs, technology and enacted legislation.
- Share issued for non-cash consideration – Shares issued for non-cash consideration are measured by reference to the more reliable of the fair value of the consideration received or paid.

(e) Basis of consolidation

The consolidation financial statements incorporate the financial statements of the Company and its subsidiaries. The results of subsidiaries acquired or disposed of during the years presented are included in these consolidated statements of loss from the effective date of control and up to the effective date of disposal or loss of control, as appropriate. An investor controls an investee if the investor has the power over the investee, has the exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Puradium Energy Ltd. (formerley Monterey Minerals Inc.)

Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

(e) Basis of consolidation (continued)

The following companies have been consolidated within the consolidated financial statements:

| Monterey Minerals Inc. | Registered | Principal activity |
|---|--------------------------|------------------------------------|
| <u>Parent</u> | | |
| Puradium Energy Ltd.(formerly Monterey Minerals Inc.) | British Columbia, Canada | Holding company |
| <u>Subsidiaries</u> | | |
| Landsdown Holdings Ltd. | British Columbia, Canada | Holding company |
| Ridge Street Investments Pty Ltd. | Australia | Mines exploration and exploitation |
| CTTR Mining Tenements Pty Ltd | Australia | Mines exploration and exploitation |
| Golden River Resources Pty Ltd | Australia | Mines exploration and exploitation |
| Inner Arc Pty Ltd. ⁽¹⁾ | Philippines | Mines exploration and exploitation |
| 1317152 B.C. Ltd. (PrivateCo.) | British Columbia, Canada | Mines exploration and exploitation |

(1) Not consolidated as of December 31, 2021

(f) Financial instruments

Recognition

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

Classification and measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and,
- those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting date. All other financial assets are measured at their fair values at each subsequent reporting date, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

Puranium Energy Ltd. (formerley Monterey Minerals Inc.)

Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

(f) Financial instruments (continued)

Classification and measurement (continued)

After initial recognition at fair value, financial liabilities are classified and measured at either:

- amortized cost;
- FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
- FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost or FVTOCI are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at FVTPL are expensed in profit or loss.

The Company's financial assets consists of cash and marketable securities, which is classified and subsequently measured at FVTPL and loan receivable which is classified and subsequently measured at amortized cost. The Company's financial liabilities consist of accounts payable and accrued liabilities, lease liability and loan payable, which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in net loss.

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

(g) Loss Per Share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the periods presented.

(h) Mineral properties

The Company charges to operations all mineral property acquisition costs and exploration and evaluation expenses incurred prior to the determination of economically recoverable reserve. These costs would also include periodic fees such as license and maintenance fees. Mineral property acquisition costs include cash consideration and the fair value of common shares issued for mineral property interests, pursuant to the terms of the relevant agreement.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry practice for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Puranium Energy Ltd. (formerley Monterey Minerals Inc.)

Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

(i) Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs 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 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 assets with a corresponding entry to the rehabilitation provision. The increase in the provision due to the passage of time is recognized as interest expense.

(j) Share-based compensation transactions

Shared-based compensation transactions

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based compensation transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, such as share-based payments to employees, they are measured at fair value of the share-based payment. Share-based payments to employees of the subsidiaries are recognized as cash settled share-based compensation transactions.

Equity-settled transactions

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in "equity settled share-based payments reserve".

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options (if any) is reflected as additional dilution in the computation of loss per share.

Puranium Energy Ltd. (formerley Monterey Minerals Inc.)

Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

(k) Income taxes

Income tax on these consolidated statements of loss for the years presented comprises current and deferred tax. Income tax is recognized in these consolidated statements of loss 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.

Deferred tax is recognized in respect of taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to taxable temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

(l) 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 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.

The Company had no material provisions at December 31, 2021 and December 31, 2020.

(m) Foreign currencies

The functional currency of the parent company and its subsidiaries in Canada is the Canadian dollar, the functional currency of its subsidiaries in Australia is the Australian dollar and the functional currency of its subsidiary in Philippines is the Philippine peso. The Canadian dollar is the currency in which it presents these consolidated financial statements. The Company recognizes transactions in currencies other than the Canadian dollar or the Australian dollar for its subsidiaries at the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the end of reporting period exchange rates are recognized in the consolidated statements of loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Puranium Energy Ltd. (formerley Monterey Minerals Inc.)

Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

(m) Foreign currencies (continued)

The results and financial position of all of the Company's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position date presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income (loss).

(n) Leases

The Company's accounting policy for leases under IFRS 16 is as follows

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right-of-use asset is measured at cost, where cost comprises: (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

A lease liability is initially measured at the present value of the unpaid lease payments discounted using the interest rate implicit in the lease or if that rate cannot be reliably determined, the Company's incremental borrowing rate. Subsequently, the Company measures a lease liability at amortized cost using the effective interest method. It is then remeasured to reflect revised in-substance fixed lease payments. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

Significant accounting judgments, estimates and assumptions in adoption of IFRS 16

All the components of the lease liability are required to be discounted to reflect the present value of the payments. The discount rate to use is the rate implicit in the lease, unless this cannot readily be determined, in which case the lessee's incremental borrowing rate is used instead. The definition of the lessee's incremental borrowing rate states that the rate should represent what the lessee would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. Significant judgment is required to estimate an incremental borrowing rate in the context of a right-of-use asset.

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Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

(o) New standards not yet adopted and interpretations issued but not yet effective

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"
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability
- make 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. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

4. Discontinued operation

During the year ended December 31, 2021, the Company disposed of Inner Arc Pty Ltd. ("Inner Arc") for consideration of \$nil.

Pursuant to IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, the consolidated financial statements of the Company have been reclassified to reflect discontinued operation of Inner Arc. Accordingly, net loss of discontinued operation have been segregated in the consolidated statements of loss and comprehensive loss.

The following tables present summarized financial information related to discontinued operations in Inner Arc:

| | Year Ended December 31, | |
|--|----------------------------|---------------------|
| | 2021 | 2020 |
| Mineral acquisition and exploration (note 13) | \$ 60,048 | \$ 5,019,222 |
| Travel | 18,802 | 2,259 |
| General and administration | 26,651 | 21,816 |
| Salaries and wages | 1,154 | 21,489 |
| Net loss before below item | (106,655) | 5,064,786 |
| Loss on disposition of Inner Arc | (26,306) | - |
| Net loss of discontinued operation for the year | \$ (132,961) | \$ 5,064,786 |

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Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

4. Discontinued operation (continued)

Statements of cash flows of the discontinued operation for the periods ended December 31, 2021 and 2020:

| | Year Ended December 31, | |
|--|----------------------------|--------------|
| | 2021 | 2020 |
| Net cash flows (used in) operating activities for discontinued operation | \$ (244,511) | \$ (559,153) |
| Net cash flows provided by financing activities for discontinued operation | 128,527 | 644,784 |
| Impact of foreign exchange rate on cash | (9,423) | 11,650 |
| Cash and cash equivalents, beginning of the period for discontinued operation | 125,407 | 28,126 |
| Cash and cash equivalents, end of the period for discontinued operation | \$ - | \$ 125,407 |

5. Loan receivable

The Company had one loan receivable as at December 31, 2020 with principal outstanding of \$10,018, which is unsecured, non-interest bearing and is due on demand. The loan was repaid during the year ended December 31, 2021.

6. Marketable securities

| | |
|----------------------------------|-----------|
| Balance, December 31, 2019 | \$ - |
| Addition (1) | 282,240 |
| Disposal | (206,035) |
| Revaluation to fair market value | (12,483) |
| Impact of foreign exchange | 2,664 |
| Balance, December 31, 2020 | \$ 66,386 |
| Addition (1) | 72,214 |
| Disposal | (148,419) |
| Revaluation to fair market value | 31,947 |
| Impact of foreign exchange | (22,128) |
| Balance, December 31, 2021 | \$ - |

(1) This amount represents the fair value of the shares received from New Age (as defined in note 13) for the sale of the Company's portfolio of Pilbara gold properties in Australia and was offset against the mineral acquisition and exploration in the consolidated statements of loss and comprehensive loss.

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Notes to Consolidated Financial Statements

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(Expressed in Canadian Dollars)

7. Asset acquisitions

(a) Acquisition of PrivateCo.

On November 17, 2021, the Company purchased a private company ("PrivateCo") that has an option to purchase a 100% interest in 35 minerals claims in Ontario, Canada (the "Haines Property").

The Haines Property, located in Haines Township, Ontario is the key asset of PrivateCo. Under the terms of the share exchange agreement, PrivateCo will receive 1,800,000 common shares of the Company. The underlying option held by PrivateCo requires the following:

- Three hundred thousand (300,000) common shares being paid to the Vendor by October 18, 2022
- Six hundred thousand (600,000) common shares being paid to the Vendor by October 18, 2023; and
- One hundred thousand dollars (\$100,000) being spent on the Haines Property by October 18, 2023.

The Vendor shall retain a two percent (2%) Net Smelter Return ("NSR") on the claims, of which half of the NSR can be purchased back from the Vendor for CAD\$1,000,000. The company recorded the asset acquisition as mineral acquisition and exploration in the consolidated statements of loss and comprehensive loss.

Purchase consideration:

| | | |
|---------------------------|----|---------|
| Issuance of common shares | \$ | 819,000 |
| Total consideration paid | \$ | 819,000 |

(b) Acquisition of Greater Arc Pty Ltd.

On August 13, 2020, the Company closed the acquisition of Greater Arc Pty Ltd. ("Greater Arc") which owns the Alicia high-grade gold and base metals project in Alicia Municipality, Philippines ("Alicia Project") for 54 million common shares of the Company including the 625,000 common shares, 312,500 common shares and 53,062,500 common shares issued on February 28, 2020, April 1, 2020, and August 13, 2020 respectively. In connection with this transaction, the Company also paid a finders' fee of 5 million common shares.

Greater Arc was determined not to meet the definition of a business as per IFRS 3 as the majority of the fair value of Greater Arc was concentrated in its mineral property interest in Alicia Project. Accordingly, the acquisition was treated as an asset acquisition.

Details of the allocation of the estimated fair value of identifiable assets acquired and purchase consideration are as follows:

| | | |
|---|----|------------------|
| Consideration - 625,000 shares at \$0.04 | \$ | 25,000 |
| Consideration - 312,500 shares at \$0.02 | | 6,250 |
| Consideration - 53,062,500 shares at \$0.08 | | 4,245,000 |
| Consideration - 5,000,000 shares at \$0.08 as finders' fees | | 400,000 |
| Total consideration | \$ | 4,676,250 |

Identifiable assets acquired

| | | |
|--|----|------------------|
| Cash | \$ | 28,126 |
| Prepaid expenses | | 19,996 |
| Accounts payable and accrued liabilities | | (9,663) |
| Net assets acquired | | 38,459 |
| Mineral acquisition and exploration | | 4,637,791 |
| Total | \$ | 4,676,250 |

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Notes to Consolidated Financial Statements
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8. Right-of-use Assets

| Office lease | December 31, 2021 | December 31, 2020 |
|--------------------------------|----------------------|----------------------|
| Balance, beginning of the year | \$ 24,279 | \$ 41,418 |
| Addition | - | - |
| Depreciation | (17,138) | (17,139) |
| Balance, end of the year | \$ 7,141 | \$ 24,279 |

Right of use assets consist of leased office space which is amortized over the the life of the lease of 48 months.

9. Lease Liabilities

| Office lease | December 31, 2021 | December 31, 2020 |
|--------------------------------|----------------------|----------------------|
| Balance, beginning of the year | \$ 28,953 | \$ 45,991 |
| Additions | - | - |
| Interest | 233 | 473 |
| Lease payments | (17,512) | (17,511) |
| Balance, end of the year | \$ 11,674 | \$ 28,953 |
| Allocated as: | | |
| Current | \$ 11,675 | \$ 21,682 |
| Long-term | - | 7,271 |
| | \$ 11,675 | \$ 28,953 |

The monthly payment amount for the lease is \$1,459.

10. Share capital and reserve

(a) Authorized – Unlimited Common shares without par value:

Issued and Outstanding as at December 31, 2021: 9,244,976 (December 31, 2020 - 1,903,158).

On February 28, 2020, the Company issued 7,813 common shares to GAR Ltd. in accordance with the LOI with GAR Ltd. to purchase its wholly owned subsidiary Greater Arc Pty Ltd. which owns the Alicia Project. On April 1, 2020, the Company issued 3,906 additional common share as per the LOI and on May 22, 2020, the Company signed a definitive agreement with GAR Ltd.

On July 9, 2020, the Company closed the first tranche of the private placement offering announced on July 7, 2020. As part of the first tranche, the Company issued 296,125 units for gross proceeds of \$1,184,500 (the "Financing").

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Notes to Consolidated Financial Statements

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(Expressed in Canadian Dollars)

10. Share capital and reserve (continued)

(a) Authorized – Unlimited Common shares without par value (continued):

On July 28, 2020, the Company closed the final tranche of the non-brokered private placement offering. As part of the final closing, the Company issued 111,250 units for gross proceeds of \$445,000. This Financing resulted in the Company receiving total gross proceeds of \$1,629,500.

The Financing consisted of Units which consisted of one (1) common share and one (1) non-transferable common share purchase warrant (a "Warrant"). Each Warrant will entitle the holder to purchase one additional common share at a price of \$8.00 for a period of twenty-four (24) months from date of the issue.

The Company paid finders' fees consisting of 8% cash and 8% non-transferable warrants in connection with the financing totaling \$39,400 and 9,850 non-transferable warrants. The Company incurred other share issuance costs of \$7,221.

The fair value of the 407,375 warrants were estimated at \$1,470,942 using the Black-Scholes Option Pricing Model under the following assumptions average risk-free interest rate – 0.26%; expected life – 2 years; expected volatility – 162.87%; and expected dividends – Nil.

The fair value of the 9,850 broker warrants was estimated at \$35,566 using the Black-Scholes Option Pricing Model under the following assumptions average risk-free interest rate – 0.26%; expected life – 2 years; expected volatility – 162.87%; and expected dividends – Nil.

On August 13, 2020, the Company closed the acquisition of Greater Arc with issuance of 663,281 common shares of the Company. In connection with this transaction, the Company also paid a finders' fee of 62,500 million common shares.

On December 31, 2020, the Company issued 6,450 common shares to a consultant for providing exploration consulting services.

On April 1, 2021, the Company issued 11,836 common shares to a consultant for providing exploration consulting services.

On July 27, 2021, the Company consolidated its outstanding common shares on the basis of one (1) post-consolidation common share for every eighty (80) pre-consolidation common shares.

On November 17, 2021, the Company issued 1,800,000 common shares to a private company that has an option to purchase a 100% interest in 35 minerals claims in Ontario, Canada (the "Haines Property") (see note 4).

On December 23, 2021, the Company completed a private placement of 3,930,000 Units (each, a "Unit") of the Company, issued at price of \$0.25 per Unit for gross proceeds of \$982,500. Each Unit consists of one (1) common share and one (1) non-transferable common share purchase warrant (a "Warrant"). Each Warrant will entitle the holder to purchase one additional common share at a price of \$0.35 for a period of 24 months from the date of issue and will be subject to an acceleration clause whereby the Company may force exercise of the Warrant any time before the end of the 24 month period if the Company's common shares trade at a price of over \$0.50 for 10 consecutive days. \$165,000 of the proceeds were received in January 2022 and is included in prepaids as a subscription receivable.

On December 23, 2021 \$400,000 of debt and trade payables outstanding to contractors, vendors, and insiders of the Company was settled in Units issued in connection with the Financing by issue of 1,600,000 units. Each Unit consists of one (1) common share and one (1) non-transferable common share purchase warrant (a "Warrant"). Each Warrant will entitle the holder to purchase one additional common share at a price of \$0.35 for a period of 24 months from the date of issue.

The fair value of the 5,530,000 warrants were estimated at \$574,000 using the Black-Scholes Option Pricing Model under the following assumptions: average risk-free interest rate – .98%; expected life – 2 years; expected volatility – 183%; forfeiture rate – Nil and expected dividends – Nil.

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Notes to Consolidated Financial Statements

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10. Share capital and reserve (continued)

(b) Stock options

On February 19, 2020, the Company granted 3,750 share purchase options which have an exercise price of \$8.00 per option and expire on February 19, 2025. Share-based payments of \$10,920 have recorded in connection with the issuance of these options. The 3,750 options were fair valued using the Black-Scholes Option Pricing Model using the following assumptions average risk-free interest rate - 1.40%; expected life - 5 years; expected volatility - 100%; forfeiture rate - Nil and expected dividends - Nil.

On August 10, 2020, the Company granted 18,750 share purchase options which have an exercise price of \$8.00 per option and expire on August 10, 2025. Share-based payments of \$91,000 have recorded in connection with the issuance of these options. The 18,750 options were fair valued using the Black-Scholes Option Pricing Model using the following assumptions average risk-free interest rate - 0.40%; expected life - 5 years; expected volatility - 100%; forfeiture rate - Nil and expected dividends - Nil.

On September 3, 2020, the Company granted 9,375 share purchase options which have an exercise price of \$8.00 per option and expire on September 3, 2025. Share-based payments of \$36,225 have recorded in connection with the issuance of these options. The 9,375 options were fair valued using the Black-Scholes Option Pricing Model using the following assumptions average risk-free interest rate - 0.40%; expected life - 5 years; expected volatility - 100%; forfeiture rate - Nil and expected dividends - Nil.

The movement in the Company's share options for the periods ended December 31, 2021 and 2020 are as follows:

| | Number of stock options outstanding | Weighted average exercise price |
|---|--|------------------------------------|
| Balance, December 31, 2019 | 36,563 | \$ 16.80 |
| Granted | 31,875 | 8.00 |
| Balance, December 31, 2020 and December 31, 2021 | 68,438 | \$ 9.21 |

As at December 31, 2021, the Company has outstanding share purchase options enabling holders to acquire common shares of the Company as follows:

| Grant date | Options outstanding | Options vested | Weighted average remaining life (years) | Exercise price (\$) | Expiry date |
|-------------------|------------------------|-------------------|---|------------------------|-------------------|
| August 15, 2018 | 16,250 | 16,250 | 1.62 | 12.00 | August 15, 2023 |
| February 28, 2019 | 10,938 | 10,938 | 2.16 | 9.60 | February 28, 2024 |
| August 29, 2019 | 9,375 | 9,375 | 2.66 | 8.00 | August 29, 2024 |
| February 19, 2020 | 3,750 | 3,750 | 3.14 | 8.00 | February 19, 2025 |
| August 10, 2020 | 18,750 | 18,750 | 3.61 | 8.00 | August 10, 2025 |
| September 3, 2020 | 9,375 | 9,375 | 3.68 | 8.00 | September 3, 2025 |
| | 68,438 | 68,438 | 2.76 | 9.21 | |

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Notes to Consolidated Financial Statements

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10. Share capital and reserve (continued)

(c) Share purchase warrants

A summary of the Company's share purchase warrants as at December 31, 2021 are as follows:

| Grant date | Options outstanding | Exercise price (\$) | Expiry date |
|----------------------------------|---------------------|---------------------|-------------------|
| July 9, 2020 | 296,125 | 8.00 | July 9, 2022 |
| July 28, 2020 | 111,250 | 8.00 | July 28, 2022 |
| July 28, 2020 | 9,850 | 8.00 | July 28, 2022 |
| December 23, 2021 ⁽¹⁾ | 5,530,000 | 0.35 | December 23, 2023 |
| | 5,947,225 | | |

(1) The share purchase warrants granted on December 23, 2021 were fair valued using the Black-Scholes Option Pricing Model under the following assumptions average risk-free interest rate – .98%; expected life – 2 years; expected volatility – 183%; forfeiture rate – Nil and expected dividends – Nil. The fair value of these warrants was estimated at \$574,000.

11. Capital disclosure

The Company defines its capital as as shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. 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. In addition, the Company is dependent upon external financing's to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will need to raise additional funds. 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. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2021. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

12. Financial instruments and risk exposures and management

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 Company enters into financial instruments to finance its operations in the normal course of business. The fair values of cash and cash equivalents, loan receivable, accounts payable and loan payable and lease liability approximate their carrying values due to the short-term maturity of these instruments.

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Notes to Consolidated Financial Statements

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12. Financial instruments and risk exposures and management (continued)

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as at December 31, 2021 as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------|------------|---------|---------|------------|
| Financial assets | | | | |
| Cash | \$ 836,024 | \$ - | \$ - | \$ 836,024 |

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and commodity price risk). Risk management is carried out by the Company's management team, with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance on overall risk management.

Credit risk

Credit risk is the risk of loss associates with a counterparty's inability to fulfil its payment obligations. The Company's cash is largely held in large Canadian financial institutions. The Company does not have any asset-backed commercial paper. The Company maintains cash deposits with a Schedule A financial institution, which from time to time may exceed federally insured limits. The Company is further exposed to credit risk through its loan's receivable. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. As at December 31, 2021, the Company had working capital of \$970,575 (December 31, 2020 - working capital of \$134,213).

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as price risk, interest rate risk, foreign exchange rate risk and commodity price risk.

Price risk

Price risk is the risk that the fair value of future cash flows of the Company's financial instruments will fluctuate because of changes in market prices. The Company is not exposed to price risks on marketable securities.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The Company does maintain bank accounts which earn interest at variable rates, but it does not believe it is currently subject to any significant interest rate risk.

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12. Financial instruments and risk exposures and management (continued)

Market risk (continued)

Foreign exchange risk

Currency risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign currency exchange rates. The Company is exposed to currency risk through financial assets and liabilities denominated in currencies other than the Canadian dollar, the Company's presentation currency. The Company's financial instruments denominated in currencies that are not the Canadian dollar as at December 31, 2021 are as follows:

| Cost | US dollar \$ | C\$ equivalent |
|-------------|---------------------|-----------------------|
| Cash | 3,611 | 4,578 |

The Company's sensitivity analysis suggests that a 10% depreciation or appreciation of the foreign currencies against the Canadian dollar would have resulted in an approximate \$500 decrease or increase in the Company's loss and comprehensive loss.

As at December 31, 2021, US dollar amounts have been translated at a rate of C\$1.2678 per US dollar.

Commodity price risk

Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The ability of the Company to explore its mineral properties and the future profitability of the Company are directly related to the market price of precious metals.

The Company monitors precious metals prices to determine the appropriate course of action to be taken by the Company.

Accounts payable and accrued liabilities:

| As at | December 31, 2021 | December 31, 2020 |
|---------------------|------------------------------|------------------------------|
| Accounts payable | \$ 19,068 | \$ 208,257 |
| Accrued liabilities | 30,272 | 32,772 |
| | \$ 49,340 | \$ 241,029 |

The Company's trade and other payables are subject to standard trade terms of 30 – 60 days.

13. Mineral property interests

Cobalt Mountain property

On February 17, 2019, the Company acquired a 100% interest in the Cobalt Mountain property located in Canada. As per the option agreement, the Company made cash payments of \$60,000 and issued 22,500 common shares to the vendors.

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13. Mineral property interests (continued)

Properties in Australia

On February 28, 2019, the Company purchased 100% of Ridge Street Investments Pty Ltd. which owns two prospective tenements on the eastern flank of the Pilbara Basin. As consideration, the Company issued 100,000 common shares to the vendors and assumed loans of AUD \$65,000. The total acquisition consideration was recorded as 'Mineral acquisition and exploration' in the statement of comprehensive loss.

On April 1, 2019, the Company purchased 100% of CTTR Mining Tenements Pty Ltd which owns seven tenements encompassing 525 square kilometers in the Pilbara region of Western Australia. As consideration, the Company issued 87,500 common shares to the vendors and assumed loans of AUD \$55,000. The total acquisition consideration was recorded as 'Mineral acquisition and exploration' in the statement of comprehensive loss.

On June 5, 2019, the Company purchased 100% of Golden River Resources Pty Ltd which owns six tenements encompassing 323 square kilometers in the Pilbara region of Western Australia. As consideration, the Company issued 137,500 common shares to the vendors and assumed loans of AUD \$69,816. The total acquisition consideration was recorded as 'Mineral acquisition and exploration' in the statement of comprehensive loss.

On September 29, 2020 the Company signed a purchase and sale agreement to sell four of its southern tenements (the "Tenements") within the Company's portfolio of Pilbara gold properties in Australia. New Age Exploration Limited ("New Age") acquired the Tenements for 25 million shares of New Age. The Company recorded the 25 million New Age shares as marketable securities valued at \$282,240 on the date of the sale which was recorded as a reduction of mineral acquisition and exploration during the year ended December 31, 2020.

In addition, the Company entered into an option and asset sale agreement to option a further four tenements comprising 538 sq.km. to New Age for total consideration of 75 million New Age shares and 37.5 million unlisted New Age options with an exercise price of \$0.02, expiring September 28, 2023. New Age will have an exclusive right to exercise the option to acquire the four tenements on or before completion of a 45 day due diligence period. New Age paid an option fee of \$140,000 which was recorded as a reduction of mineral acquisition and exploration during the year ended December 31, 2020.

On August 26, 2021, the Company entered into a Deed of Variation to the principal agreement of the option and asset sale agreement signed with New Age on September 29, 2020. Under the Deed of Variation, the consideration for the option to purchase the four tenements comprising 538 sq.km was amended to (a) 7.5 million shares of New Age and (b) the performance payments of 30 million shares of New Age within 5 Business Days of the Purchaser first making a public announcement on the Australian Securities Exchange ("ASX") to the effect that it has delineated a 250 koz gold indicated Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy ("JORC") resource on the Tenements; and a further 30 million Shares within 5 Business Days of New Age first making a public announcement on the ASX to the effect that it has delineated a 500koz gold indicated JORC resource on the Tenements.

Alicia Project

On August 13, 2020, the Company closed the acquisition of Greater Arc for 675,000 common shares and paid a finders' fee of 62,500 common shares of the Company. Greater Arc owns the Alicia high-grade gold and base metals project in Alicia Municipality, Philippines.

The Alicia Project is situated within a Declared Mineral Reservation determined by the Mines and Geosciences Bureau (MGB) in 1995 and is on a granted Exploration Permit.

During the year ended December 31, 2021, the Company sold Inner Arc that owns the Alicia Project for \$nil consideration (see note 4).

Puraniun Energy Ltd. (formerley Monterey Minerals Inc.)

Notes to Consolidated Financial Statements

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13. Mineral property interests (continued)

Haines Property

On November 17, 2021, the Company purchased a private company ("PrivateCo") that has an option to purchase a 100% interest in 35 minerals claims in Ontario, Canada (the "Haines Property").

The Haines Property, located in Haines Township, Ontario is the key asset of PrivateCo. Under the terms of the share exchange agreement, PrivateCo will receive 1,800,000 common shares of the Company. The underlying option held by PrivateCo requires the following:

- Three hundred thousand (300,000) common shares being paid to the Vendor by October 18, 2022
- Six hundred thousand (600,000) common shares being paid to the Vendor by October 18, 2023; and
- One hundred thousand dollars (\$100,000) being spent on the Haines Property by October 18, 2023.

The Vendor shall retain a two percent (2%) Net Smelter Return ("NSR") on the claims, of which half of the NSR can be purchased back from the Vendor for CAD\$1,000,000

14. Loans payable

During the year ended December 31, 2021, the Company repaid the AUD\$89,230 loan for \$81,784. As at December 31, 2021, the Company had loans payable of \$nil (\$nil AUD) (December 31, 2020 - \$87,758 (\$89,230 AUD)).

During the year ended December 31, 2021, the Company received a loan payable of \$180,000 which is due on demand and is subject to an interest rate of 6% per annum. During the year ended December 31, 2021, the Company accrued an interest expense of \$6,420, and the Company settled the loan and interest by issuing 745,680 units as part of the December 23, 2021 financing (see note 10).

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15. Segmented information

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decisionmaker. The chief operating decisionmaker is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Company's CEO. During the year ended December 31, 2021, the Company has one (2020 – two) operating segments.

The Company's had three geographic segments: Canada, and were Australia and Philippines are considered one operating segment.

The segmental report is as follows:

| As at December 31, 2020 | Philippines | Canada | Total |
|---|----------------|----------------|----------------|
| Current assets | \$ 135,652 | \$ 349,030 | \$ 484,682 |
| Right-of-use asset | - | 24,279 | 24,279 |
| Total assets | 135,652 | 373,309 | 508,961 |
| Total liabilities | \$ 148,095 | \$ 209,645 | \$ 357,740 |
| Net loss for the year ended December 31, 2020 | \$ (5,347,026) | \$ (928,519) | \$ (6,275,545) |
| As at December 31, 2021 | Philippines | Canada | Total |
| Current assets | \$ - | \$ 1,031,590 | \$ 1,031,590 |
| Right-of-use asset | - | 7,141 | 7,141 |
| Total assets | - | 1,038,731 | 1,038,731 |
| Total liabilities | \$ - | \$ 61,015 | \$ 61,015 |
| Net loss for the year ended December 31, 2021 | \$ (132,961) | \$ (1,264,339) | \$ (1,397,300) |

16. Related party transactions

Related parties include the Board of Directors, close family members, other key management individuals and enterprises that are controlled by these individuals as well as certain persons performing similar functions. The Company define keys management personnel as its CEO, CFO and Board of Directors.

Related party transactions conducted in the normal course of operations are measured at the fair value and approved by the Board of Directors in strict adherence to conflict of interest law and regulations.

The Company incurred the following charges with related parties for the periods ended December 31, 2021 and 2020:

| | Year Ended December 31, | |
|--------------------------------|----------------------------|------------|
| | 2021 | 2020 |
| Consulting - President and CEO | \$ 25,000 | \$ 60,000 |
| Consulting - CFO | 47,000 | 42,000 |
| Stock-based compensation | - | 59,720 |
| | \$ 72,000 | \$ 161,720 |

As at December 31, 2021, included in accounts payable and accrued liabilities is \$1,300 (December 31, 2020 - \$nil) due to companies controlled by directors of the Company.

During the year ended December 31, 2021 the Company issued 303,000 shares to settle \$75,750 in debt with related parties.

Purani Energy Ltd. (formerly Monterey Minerals Inc.)

Notes to Consolidated Financial Statements

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17. Income taxes

The reported recovery of income taxes differs from amounts computed by applying the statutory income tax rates to the reported loss before income taxes due to the following:

| | 2021 | 2020 |
|--|-------------------------|-------------------------|
| Loss before recovery of income taxes | \$ (1,397,300) 26.5% | \$ (6,275,545) 26.5% |
| Expected income tax (recovery) at statutory rate | (370,286) | (1,663,019) |
| Mineral property acquisition | 232,206 | 1,239,206 |
| Prior year true-up | - | 529,978 |
| Share issuance costs recorded directly to equity | - | (12,355) |
| Temporary differences and other | (193,686) | (5,908) |
| Share-based payment reserve | - | 36,741 |
| Tax benefits not recognized | 331,766 | (124,643) |
| Actual income tax recovery | \$ - | \$ - |

Details of deferred tax assets:

The temporary differences and unused tax losses that give rise to deferred income tax balances are presented below:

| As at December 31, | 2021 | 2020 |
|--|--------------|------------|
| Non-capital losses carry forward | \$ 677,864 | \$ 504,746 |
| Share issue costs and other | 30,866 | 18,533 |
| Exploration and evaluation | 455,899 | 309,583 |
| Total deferred tax assets | \$ 1,164,629 | \$ 832,862 |
| Less: valuation allowance on deferred tax assets | (1,164,629) | (832,862) |
| | \$ - | \$ - |

The Company has approximately \$2,557,976 of non-capital losses available, which expire between 2034 and 2041 and may be applied against future taxable income for income tax purposes.

At December 31, 2021, the potential benefit of these losses and deductible temporary differences in excess of the deferred tax liabilities have not been recognized in these financial statements as it is not considered probable that sufficient future tax profit will allow the deferred tax assets to be recovered.

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18. Subsequent events

i) On January 11, 2022 Jason Bagg was appointed as the President and Chief Executive Officer of the Company, and as a Director.

ii) On January 12, 2022, the Company granted options to directors, officers and consultants to acquire up to 850,000 Common Shares exercisable at a price of \$0.70 to various consultants, directors and officers of the Company.

iii) On January 12, 2022, the Company has divested itself of all assets in Australia.

iv) On January 17, 2022, the Company approved LOI to acquire certain properties in Namibia. The definitive agreement for the Namibia acquisition was subsequently signed on March 24, 2022. Once the Namibian properties are transferred to the Company, the Company will make a payment of US\$175,000 and issue 8,000,000 common shares as consideration to the Vendors. The Company will also pay a finder's fee of 800,000 common shares.

v) On March 30, 2022, the Company has changed its name to Puranium Energy Ltd. As of April 5, 2022, the Company is trading on the CSE under the ticker symbol "UX".