

ARCTIC FOX VENTURES INC.

Financial Statements

Three Months Ended September 30, 2022

(Expressed in Canadian Dollars)

(unaudited)

ARCTIC FOX VENTURES INC.Statements of Financial Position
(Expressed in Canadian Dollars)

| | September 30, 2022 \$ (unaudited) | June 30, 2022 \$ (audited) |
|---|--|-------------------------------------|
| Assets | | |
| Current assets | | |
| Cash | 621 | 10,701 |
| GST receivable | 17,038 | 15,690 |
| Prepaid expenses | 3,150 | – |
| Total current assets | 20,809 | 26,391 |
| Non-current assets | | |
| Reclamation deposit | 12,500 | 12,500 |
| Exploration and evaluation assets (Note 3) | 162,976 | 162,976 |
| Total non-current assets | 175,476 | 175,476 |
| Total assets | 196,285 | 201,867 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Note 4) | 6,429 | 9,483 |
| Due to related parties | 24,750 | 9,483 |
| Total liabilities | 31,179 | 9,483 |
| Shareholders' equity | | |
| Share capital (Note 5) | 1,823,444 | 1,823,444 |
| Deficit | (1,658,338) | (1,631,060) |
| Total shareholders' equity | 165,106 | 192,384 |
| Total liabilities and shareholders' equity | 196,285 | 201,867 |

Nature of operations and continuance of business (Note 1)
Subsequent event (Note 10)

Approved and authorized for issuance on behalf of the Board on November 29, 2022:

/s/ "Harry Chew"
Harry Chew, Director

/s/ "Sonny Chew"
Sonny Chew, Director

(The accompanying notes are an integral part of these financial statements)

ARCTIC FOX VENTURES INC.

Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

| | Three Months ended September 30, 2022 \$ | Three Months ended September 30, 2021 \$ |
|---------------------------------------|--|--|
| Expenses | | |
| Management fees (Note 4) | 9,000 | 9,000 |
| Office and miscellaneous | 258 | 18 |
| Professional fees (Note 4) | 6,000 | 6,000 |
| Rent and administrative fees (Note 4) | 9,000 | 9,000 |
| Software development costs | — | — |
| Transfer agent and regulatory fees | 2,835 | 2,888 |
| Travel and promotion | 185 | 5,057 |
| Total expenses | 27,278 | 31,963 |
| Net loss and comprehensive loss | (27,278) | (31,963) |
| Loss per share, basic and diluted | — | — |
| Weighted average shares outstanding | 27,277,764 | 26,468,416 |

(The accompanying notes are an integral part of these financial statements)

ARCTIC FOX VENTURES INC.

Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

(Unaudited)

| | Share capital | | Deficit \$ | Total shareholders' equity \$ |
|--|---------------------|--------------|---------------|--|
| | Number of shares | Amount \$ | | |
| Balance, June 30, 2022 | 27,273,416 | 1,823,444 | (1,631,060) | 192,384 |
| Shares issued for mineral property option agreement | 200,000 | – | – | – |
| Net loss for the period | – | – | (27,278) | (27,278) |
| Balance, September 30, 2022 | 27,473,416 | 1,823,444 | (1,658,338) | 165,106 |
| Balance, June 30, 2021 | 26,468,416 | 1,742,944 | (1,485,280) | 257,664 |
| Net loss for the period | – | – | (31,963) | (31,963) |
| Balance, September 30, 2021 | 26,468,416 | 1,742,944 | (1,517,243) | 225,701 |

(The accompanying notes are an integral part of these financial statements)

ARCTIC FOX VENTURES INC.

Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

| | Three months ended September 30, 2022 \$ | Three months ended September 30, 2021 \$ |
|--|--|--|
| Operating activities | | |
| Net loss | (27,278) | (31,963) |
| Changes in non-cash operating working capital: | | |
| Accounts payable and accrued liabilities | (3,054) | (58,749) |
| Due to related parties | 15,750 | – |
| GST receivable | (1,348) | (1,472) |
| Prepaid expenses | (3,150) | – |
| Net cash used in operating activities | (19,080) | (92,184) |
| Investing activities | | |
| Exploration and evaluation expenditures | – | (606) |
| Net cash used in investing activities | – | (606) |
| Financing activities | | |
| Advances from related parties | 9,000 | – |
| Net cash provided by financing activities | 9,000 | – |
| Change in cash | (10,080) | (92,790) |
| Cash, beginning of period | 10,701 | 132,368 |
| Cash, end of period | 621 | 39,578 |

(The accompanying notes are an integral part of these financial statements)

ARCTIC FOX VENTURES INC.

Notes to the Financial Statements

Three Months Ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)

1. Nature of Operations and Continuance of Operations

Arctic Fox Ventures Inc. (formerly Arctic Fox Interactive Ltd.) (the “Company”) was incorporated in the province of British Columbia on February 19, 2013. The Company was focused on mobile application development. On October 20, 2020, the Company became a mineral exploration company. The Company plans to divest itself of its mobile game application development operations. The Company’s head office is located at Suite 905, 1030 West Georgia Street, Vancouver, BC, V6E 2Y3.

On March 11, 2020, the World Health Organization declared coronavirus COVID 19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company has not been significant, but management continues to monitor the situation.

These financial statements have been prepared on the 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. During the period ended September 30, 2022, the Company has not generated any revenues and has negative cash flow from operations. As at September 30, 2022, the Company has an accumulated deficit of \$1,658,338. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing through debt or equity. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors may cast significant doubt on the Company’s ability to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Significant Accounting Policies

(a) Statement of Compliance and Basis of Presentation

These condensed financial statements have been prepared in accordance with International Financial Reporting Standards applicable to interim financial information, as outlined in International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” and using the accounting policies consistent with those in the audited financial statements as at and for the year ended June 30, 2022.

These condensed financial statements do not include all disclosures normally provided in annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended June 30, 2022. Interim results are not necessarily indicative of the results expected for the fiscal year.

(b) Significant Accounting Judgments and Estimates

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

ARCTIC FOX VENTURES INC.

Notes to the Financial Statements

Three Months Ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(b) Significant Accounting Judgments and, Estimates (continued)

Significant judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognized in the Company's financial statements are as follows:

Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions may change if new information becomes available. If information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of operations in the period when the new information becomes available.

Going concern

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

Deferred income taxes

The determination of income tax expense and the composition of deferred income tax assets and liabilities involves judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred income tax assets and liabilities, and interpretations of tax laws. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these interpretations, judgments, and estimates may materially affect the final amount of current and deferred income tax provisions, deferred income tax assets and liabilities, and results of operations.

(c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(d) Software Development Costs

Software development costs relating to software to be sold, licensed, or marketed are capitalized upon the establishment of technological feasibility. Capitalized software development costs will be amortized over the remaining useful life of the product.

(e) Foreign Currency Translation

The functional and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the statement of operations.

ARCTIC FOX VENTURES INC.

Notes to the Financial Statements

Three Months Ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(f) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are charged to operations.

Exploration and evaluation assets are assessed for impairment if: (i) sufficient data exists to determine technical feasibility and commercial viability; and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Mineral Property Options

The Company does not record any expenditures made by the optionee in its accounts. It also does not recognize any gain or loss on its exploration and evaluation option arrangements but re-designates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained and any consideration received directly from the optionee is credited against costs previously capitalized.

(g) Impairment of Non-Current Assets

At each reporting date, the Company reviews the carrying amounts of its long-lived assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the consolidated statement of operations.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the consolidated statement of operations.

ARCTIC FOX VENTURES INC.

Notes to the Financial Statements

Three Months Ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(h) Reclamation and Remediation Provisions

The Company recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability including risks specific to the countries in which the related operation is located.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant and equipment. These costs are depreciated using either the unit-of-production or straight-line method depending on the asset to which the obligation relates.

The obligation is increased for the accretion and the corresponding amount is recognized as a finance expense. The obligation is also adjusted for changes in the estimated timing, amount of expected future cash flows, and changes in the discount rate. Such changes in estimates are added to or deducted from the related asset except where deductions are greater than the carrying value of the related asset in which case, the amount of the excess is recognized in the consolidated statement of operations.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases, changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available.

(i) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the respective instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are included in the initial carrying value of the related instrument and are amortized using the effective interest method. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the statement of operations.

Fair value estimates are made at the statement of financial position date based on relevant market information and information about the financial instrument. All financial instruments are classified into either: fair value through profit or loss ("FVTPL") or amortized cost.

The Company has made the following classifications:

| | |
|--|----------------|
| Cash | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |

ARCTIC FOX VENTURES INC.

Notes to the Financial Statements

Three Months Ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(i) Financial Instruments (continued)

Financial assets

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets which are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Subsequent to initial recognition, financial assets are measured at amortized cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been decreased.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are offset against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations. Loss allowances are based on the lifetime ECL's that result from all possible default events over the expected life of the trade receivable, using the simplified approach.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

ARCTIC FOX VENTURES INC.

Notes to the Financial Statements

Three Months Ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(i) Financial Instruments (continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized as the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities (including loans and borrowings and trade payables and other liabilities) are initially measured at fair value, net of transaction costs. Subsequently, other financial liabilities are measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(j) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

ARCTIC FOX VENTURES INC.

Notes to the Financial Statements

Three Months Ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(k) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as stock-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in share-based payment reserve, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

(l) Flow-through Shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the deferred income tax liability associated with the renounced tax deductions is recognized in the statement of operations with a pro-rata portion of the deferred premium.

(m) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

(n) Comprehensive Loss

Comprehensive loss is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the statement of operations.

(o) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended September 30, 2022, and have not been early adopted in preparing these financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's financial statements.

ARCTIC FOX VENTURES INC.

Notes to the Financial Statements

Three Months Ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)

3. Exploration and Evaluation Assets

| | \$ |
|---|----------------|
| <i>Acquisition costs:</i> | |
| Balance, June 30, 2022 | 35,000 |
| Additions | — |
| Balance, September 30, 2022 | 35,000 |
| <i>Exploration costs:</i> | |
| Balance, June 30, 2022 | 127,976 |
| Assays | — |
| Drilling | — |
| Geological | — |
| Balance, September 30, 2022 | 127,976 |
| Net carrying value, June 30, 2022 | 162,976 |
| Net carrying value, September 30, 2022 | 162,976 |

Spius Property

On October 20, 2020 (as amended on December 27, 2021, June 23, 2022, and September 29, 2022), the Company entered into a mineral property option agreement whereby the Company has the right to earn a 60% interest in certain mineral claims located in the Nicola and New Westminster Mining Districts in British Columbia, Canada.

To earn this interest, the Company is to make cash payments totalling \$60,000, issue a total of 1,000,000 common shares, and incur exploration expenditures on the property aggregating \$550,000 as follows:

Cash consideration to be paid:

- \$15,000 to be paid within 5 business days of the Company being listed on the TSX Venture Exchange or the Canadian Securities Exchange ("Listing Date") (paid);
- a further \$15,000 on or before December 31, 2023 and
- a further \$30,000 on or before December 31, 2024.

Common shares to be issued:

- 200,000 shares within 10 days of the Listing Date (issued);
- a further 200,000 shares on or before December 31, 2023 and
- a further 600,000 shares on or before December 31, 2024.

Exploration expenditures to be incurred:

- \$150,000 on or before December 31, 2023; and
- \$550,000 in aggregate on or before December 31, 2024.

ARCTIC FOX VENTURES INC.

Notes to the Financial Statements

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(Expressed in Canadian Dollars)

4. Related Party Transactions

- (a) As at September 30, 2022, the amount of \$2,319 (June 30, 2022 - \$4,475) included in accounts payable and accrued liabilities is owed to the President of the Company.
- (b) During the period ended September 30, 2022, the amount of \$9,000 (2021 – \$9,000) was incurred to a company controlled by the Chief Executive Officer of the Company for management fees.
- (c) During the period ended September 30, 2022, the amount of \$9,000 (2021 - \$9,000) was incurred to a company controlled by the Chief Executive Officer and the Chief Financial Officer of the Company for rent and administration fees.
- (d) During the period ended September 30, 2022, the amount of \$6,000 (2021 - \$6,000) was incurred to a company controlled by the Chief Financial Officer of the Company for professional fees.

5. Share Capital

Authorized: 100,000,000 Class A voting common shares without par value

- (a) On May 25, 2022, the Company issued 805,000 units at \$0.10 per unit for proceeds of \$80,500. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.12 per common share expiring on May 25, 2024. Included in this share issuance was 735,000 units for proceeds of \$73,500 issued to immediate family members of officers and directors of the Company.
- (b) On September 29, 2022, the Company issued 200,000 common shares pursuant to the mineral property option agreement amendment dated September 29, 2022 as consideration for revising the terms. Refer to Note 3

6. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

| | Number of warrants | Weighted average exercise price \$ |
|-----------------------------|--------------------|------------------------------------|
| Balance, June 30, 2022 | 805,000 | 0.12 |
| Issued | – | – |
| Balance, September 30, 2022 | 805,000 | 0.12 |

ARCTIC FOX VENTURES INC.

Notes to the Financial Statements

Three Months Ended September 30, 2022 and 2021

(Expressed in Canadian Dollars)

6. Share Purchase Warrants (continued)

As at September 30, 2022, the following share purchase warrants were outstanding:

| Number of warrants outstanding | Exercise price \$ | Expiry date |
|--------------------------------------|-------------------------|--------------|
| 805,000 | 0.12 | May 25, 2024 |

7. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances or by undertaking other activities as deemed appropriate under the specific circumstances.

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 is not subject to externally imposed capital requirements.

8. Financial Instruments and Risk Management

(a) Fair Values

Fair value measurements are classified using a fair value hierarchy that reflects the significance of 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).

The fair values of financial instruments, which include cash, and accounts payable and accrued liabilities, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. The Company is not exposed to any significant foreign exchange rate risk.

ARCTIC FOX VENTURES INC.

Notes to the Financial Statements

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(Expressed in Canadian Dollars)

8. Financial Instruments and Risk Management (continued)

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk as it does not have any liabilities with variable rates.

(e) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company manages liquidity risk by maintaining sufficient cash balances and adjusting its operating budget and expenditure. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term and other specific obligations.

(f) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.