



INFLECTION RESOURCES LTD.
An exploration stage company

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2021 AND 2020
(Unaudited - Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, *Continuous Disclosure Obligations*, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Inflection Resources Ltd. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by an entity's auditor.

Inflection Resources Ltd.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in Canadian dollars)

	Notes	June 30, 2021	September 30, 2020
ASSETS			
Current assets			
Cash and cash equivalents		\$ 4,317,102	\$ 4,054,221
Receivables		166,968	105,081
Prepaid expenses and deposits		64,081	26,200
Total current assets		4,548,151	4,185,502
Non-current assets			
Refundable security deposits	5, 6	288,377	216,671
Exploration and evaluation assets	6, 9	6,115,454	3,178,558
TOTAL ASSETS		\$ 10,951,982	\$ 7,580,731
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7, 9	\$ 371,188	\$ 495,882
Total liabilities		371,188	495,882
SHAREHOLDERS' EQUITY			
Share capital	8	12,435,532	8,118,449
Reserve	8	1,115,841	875,697
Deficit		(2,970,579)	(1,909,297)
Total shareholders' equity		10,580,794	7,084,849
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 10,951,982	\$ 7,580,731

Nature of operations and going concern – Note 1

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS ON AUGUST 30, 2021:

"Alistair Waddell"

"Cecil Bond"

DIRECTOR

DIRECTOR

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

Inflection Resources Ltd.
Condensed Interim Consolidated Statements of Comprehensive Loss
(Unaudited - Expressed in Canadian dollars)

	Notes	Three months ended June 30,		Nine months ended June 30,	
		2021	2020	2021	2020
Expenses					
Salaries and benefits	9	\$ 126,651	\$ 28,416	\$ 367,016	\$ 77,549
Share-based compensation	8, 9	67,374	176,719	248,155	219,446
Investor communication		85,250	16,920	237,746	18,799
Listing and filing fees		167	-	65,854	-
Consulting fees	9	33,758	12,600	63,332	120,113
Professional fees		10,303	25,289	62,458	92,285
Office and administrative		12,926	11,524	57,583	92,366
Project generation		10,282	-	10,282	-
Total expenses		\$ 346,711	\$ 271,468	\$ 1,112,426	\$ 620,558
Other items					
Impairment expense		-	69,044	-	69,044
Foreign exchange (gain) loss		(27,813)	(4,601)	(40,274)	486
Interest income		(637)	(8,220)	(10,870)	(13,151)
Net loss and comprehensive loss		\$ 318,261	\$ 327,691	\$ 1,061,282	\$ 676,937
Loss per share – basic and diluted		\$ 0.00	\$ 0.01	\$ 0.02	\$ 0.02
Weighted average number of common shares outstanding – basic and diluted		64,557,759	43,163,184	59,760,133	38,666,359

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

Inflection Resources Ltd.
Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited - Expressed in Canadian dollars, except share amounts)

	Number of Shares	Share Capital	Share Subscriptions Received	Reserve	Deficit	Total
Balance, September 30, 2019	31,130,001	\$ 2,546,501	\$ 280,200	\$ 372,827	\$ (871,910)	\$ 2,327,618
Shares issued for private placements	12,033,183	2,647,300	(280,200)	-	-	2,367,100
Share issue costs	-	(49,349)	-	-	-	(49,349)
Share-based compensation	-	-	-	219,446	-	219,446
Net loss for the period	-	-	-	-	(676,937)	(676,937)
Balance, June 30, 2020	43,163,184	\$ 5,144,452	\$ -	\$ 592,273	\$ (1,548,847)	\$ 4,187,878
Balance, September 30, 2020	57,355,714	\$ 8,118,449	\$ -	\$ 875,697	\$ (1,909,297)	\$ 7,084,849
Shares issued for private placement	13,867,156	4,437,490	-	-	-	4,437,490
Share issue costs	-	(138,053)	-	-	-	(138,053)
Shares issued for Option exercises	46,000	16,945	-	(7,760)	-	9,185
Shares issued for exercise of Agent Options	1,800	700	-	(250)	-	450
Share-based compensation	-	-	-	248,155	-	248,155
Net loss for the period	-	-	-	-	(1,061,282)	(1,061,282)
Balance, June 30, 2021	71,270,670	\$ 12,435,532	\$ -	\$ 1,115,841	\$ (2,970,579)	\$ 10,580,794

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

Inflection Resources Ltd.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in Canadian dollars)

	For the nine months ended	
	June 30,	June 30,
	2021	2020
Operating activities		
Net loss for the period	\$ (1,061,282)	\$ (676,937)
Non-cash items:		
Share-based compensation	248,155	219,446
Impairment of exploration property	-	69,044
Changes in non-cash working capital items:		
Receivables	(61,887)	(13,443)
Prepaid expenses and deposits	(37,881)	(102,515)
Accounts payable and accrued liabilities	(124,694)	79,688
Net cash flows used in operating activities	\$ 1,037,589	\$ (424,717)
Investing activities		
Additions to exploration and evaluation assets	(2,960,217)	(588,972)
Receipt of exploration grant	23,321	-
Cash paid on acquisition of Romardo Copper, net	-	(12,271)
Payment of refundable security deposits	(71,706)	(27,230)
Net cash flows used in investing activities	\$ (3,008,602)	\$ (628,473)
Financing activities		
Proceeds on issuance of Common Shares	4,437,490	2,367,100
Share issue costs	(138,053)	(49,349)
Exercise of Agent Options	450	-
Exercise of Options	9,000	-
Net cash flows provided by financing activities	\$ 4,308,887	\$ 2,317,751
Effective of foreign exchange	185	(5,677)
Change in cash and cash equivalents	262,881	1,258,884
Cash and cash equivalents, beginning of period	4,054,221	455,290
Cash and cash equivalents, end of period	\$ 4,317,102	\$ 1,714,174
Cash and cash equivalents consist of:		
Cash	\$ 4,317,102	\$ 249,174
Redeemable GIC	-	1,465,000
	\$ 4,317,102	\$ 1,714,174

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

Inflection Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Inflection Resources Ltd. ("Inflection" or the "Company") was incorporated pursuant to the provisions of the *Business Corporations Act* (British Columbia) on May 9, 2017, and its principal business activity is the exploration and evaluation of mineral properties located in New South Wales and Queensland, Australia. The Company's head office and registered and records office address is Suite 1210, 1130 West Pender St, Vancouver, BC V6E 4A4. The Company's common shares ("Common Shares") were listed for trading on the Canadian Securities Exchange (the "CSE") on July 21, 2020.

The business of mining exploration involves a high degree of risk and there is no assurance that current exploration projects will result in future profitable mining operations. The Company has no source of revenue and has significant cash requirements to meet its administrative overhead, pay its debts and liabilities, and maintain its exploration and evaluation assets. The recoverability of amounts shown for exploration and evaluation assets is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of exploration and evaluation assets. The carrying value of the Company's exploration and evaluation assets may not reflect current or future values.

These unaudited condensed interim consolidated financial statements for the three- and nine-month periods ended June 30, 2021 and 2020 (the "Interim Financial Statements") have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at June 30, 2021, the Company has not yet achieved profitable operations, incurred a net loss of \$1,061,282 and has an accumulated deficit of \$2,970,579. The ability of the Company to continue as a going concern and meet its commitments as they become due, including exploration of its exploration and evaluation assets, is dependent on the Company's ability to obtain the necessary financing. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. If the going concern assumption was not appropriate for these financial statements, adjustments would be necessary in the carrying values of assets, liabilities, reported income and expenses and the statement of financial position classifications used. Such adjustments could be material.

In March 2020, the World Health Organization declared coronavirus COVID-19 ("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. As of the date these financial statements are issued, COVID-19 has not had a significant impact on the Company's ability to access and explore its current properties. However, the potential for an expansion in scope and duration of travel restrictions in Australia is being monitored by management, and has the potential to impact the Company's ability to raise money or explore its properties. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

2. BASIS OF PRESENTATION

Statement of compliance

The Interim Financial Statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*. The Interim Financial Statements should be read in conjunction with the annual consolidated financial statements for the year ended September 30, 2020 (the "Annual Financial Statements"), which were prepared in accordance with International Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of consolidation and presentation

These Interim Financial Statements incorporate the financial statements of the Company and its wholly-owned subsidiaries, Australian Consolidated Gold Holdings Pty Ltd, ACGH II Pty Ltd and Romardo Copper (NSW) Pty Ltd ("Romardo Copper"), each of which is incorporated in Australia. The financial statements of Romardo Copper are included in the consolidated financial statements from February 11, 2020, the date on which control was transferred to the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant intercompany transactions and balances have been eliminated.

Inflection Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended June 30, 2021 and 2020

(Unaudited - Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)**Basis of consolidation and presentation** (continued)

These Interim Financial Statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit and loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The Board of Directors of the Company (the "Board") authorized the Interim Financial Statements on August 30, 2021

3. SIGNIFICANT ACCOUNTING POLICIES

These Interim Financial Statements have been prepared using accounting policies consistent with those used in the Annual Financial Statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

There have been no material revisions to the nature of judgments or changes in estimates to that which is described and reflected in the Annual Financial Statements.

5. REFUNDABLE SECURITY DEPOSITS

The Company holds refundable security deposits, each representing a mineral property exploration license held with the Government of New South Wales Department of Planning and Environment as follows:

	AI Project	Northern NSW Project	Total
October 1, 2019	\$ 48,396	\$ 107,253	\$ 155,649
Additions	-	60,726	60,726
Foreign exchange adjustment	(671)	967	296
September 30, 2020	\$ 47,725	\$ 168,946	\$ 216,671
Additions / (Recovery)	(28,761)	105,266	76,505
Foreign exchange adjustment	(374)	(4,425)	(4,799)
June 30, 2021	\$ 18,590	\$ 269,787	\$ 288,377

Inflection Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended June 30, 2021 and 2020

(Unaudited - Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS

The Company's exploration properties include the Northern New South Wales ("NNSW") Project, an optioned interest in the Carron Project, and the Artificial Intelligence ("AI") Project.

The Company's exploration and evaluation assets consisted of cumulative expenditures incurred, net of impairment charges, as follows:

	Northern NSW Project	Carron Project	AI Project	Total
<i>Acquisition costs:</i>				
Balance, October 1, 2019	\$ 424,869	\$ 95,214	\$ 217,337	\$ 737,420
Additions:	100,544	-	-	100,544
Balance, September 30, 2020	525,413	95,214	217,337	837,964
Additions:	-	-	-	-
Balance, June 30, 2021	\$ 525,413	\$ 95,214	\$ 217,337	\$ 837,964
<i>Deferred exploration costs:</i>				
Balance, October 1, 2019	\$ 785,087	\$ 149,785	\$ 292,844	\$ 1,227,716
Additions for the year:				
Geological services (Note 9)	358,122	58,502	51,285	467,909
Drilling & assays	295,337	-	18,731	314,068
Claim fees	129,863	10,424	17,014	157,301
Administration and maintenance	136,221	1,484	3,549	141,254
Equipment	91,759	-	-	91,759
Geophysics	8,527	1,103	-	9,631
Total additions for the year	\$ 1,019,830	\$ 75,513	\$ 90,579	\$ 1,181,922
Write-down of exploration assets	-	-	(69,044)	(69,044)
Total additions, net of write-down	1,019,830	75,513	21,535	1,116,878
Balance, September 30, 2020	\$ 1,804,917	\$ 221,298	\$ 314,379	\$ 2,340,594
Additions for the period:				
Geological services (Note 9)	445,515	80,180	-	525,694
Drilling & assays	1,706,205	208,532	-	1,914,737
Claim fees	210,021	-	3,034	213,055
Administration and maintenance	224,006	25,558	-	249,564
Geophysics	37,889	19,277	-	57,166
Total additions for the period:	2,623,635	333,547	3,034	2,960,216
Recovery of government grant	(23,321)	-	-	(23,321)
Balance, June 30, 2021	\$ 4,405,231	\$ 554,845	\$ 317,544	\$ 5,277,490
Total, September 30, 2020	\$ 2,330,330	\$ 316,512	\$ 531,716	\$ 3,178,558
Total, June 30, 2021	\$ 4,930,644	\$ 650,059	\$ 534,752	\$ 6,115,454

Inflection Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS (continued)**a) Northern New South Wales Project (Northern New South Wales)**

The Northern New South Wales ("NNSW") Project consists of a portfolio of 100%-owned exploration licenses located in the Lachlan Fold Belt region of New South Wales, Australia. The NNSW Project encompasses an area extending over approximately 300 kilometres.

Acquired NNSW licences

On December 31, 2017, the Company took assignment of a Binding Term Sheet (the "Term Sheet") dated June 6, 2017 under which the Company acquired 100% interest in eleven exploration licenses and applications (the "Acquired NNSW licences") in Northern New South Wales, Australia. The Term Sheet was subsequently superseded in an agreement dated July 1, 2018 (together the "NNSW Agreements"), which amended the terms for the acquisition of the licenses.

Consideration, pursuant to the NNSW Agreements, is as follows:

1. On July 1, 2018, the Company issued 2,805,000 Common Shares (with a fair value of \$280,500).
2. The Company made combined payments of AUD 205,000 upon the execution of the Term Sheet and towards the cost of acquiring the licenses, and a further AUD 25,000 in August 2020.
3. A success fee of AUD 55,000 pursuant to the successful listing of the Common Shares on the CSE.

There is a 2% net smelter returns ("NSR") royalty payable by the Company to the Vendor from any future production, of which the Company may purchase 1% for AUD 3,000,000 at any time.

Romardo licences

On February 11, 2020, the Company completed the acquisition of 100% of the issued and outstanding shares of Romardo Copper, a private Australian company which owns 100% of the rights, title and interest in two exploration licenses located in New South Wales, Australia (the "Romardo Licences"). The Company considers the Romardo Licences to be part of the Northern New South Wales Project.

The Romardo Licences are subject to a 2% NSR of which the Company may purchase 1% for AUD 2,000,000 at any time, and the Company has the right of first refusal to purchase any royalty interest offered for sale by consideration payable in cash.

In addition, the Company has the following contingent payments payable at its discretion upon attainment of certain milestones on the Romardo Licences:

- i. AUD 500,000 is payable in cash or Common Shares upon completion of a pre-feasibility study;
- ii. AUD 2,000,000 is payable in cash or Common Shares upon completion of a feasibility study; and
- iii. AUD 6,000,000 is payable upon the Company's decision to commence construction of a commercial mine.

Through June 30, 2021, the Company has been awarded three grants from the Government of NSW's New Frontiers Cooperative Drilling Program (the "NFCDP Grants"). The Company is eligible to recover up to AUD 139,685 in eligible expenditures incurred on three of the NNSW projects licenses. As of June 30, 2021, the Company had recovered AUD 25,090 (\$24,218) pursuant to the NFCDP Grants. The amount received reduces the carrying value of the Northern New South Wales Project.

b) Carron Project (Queensland)

On December 31, 2017, the Company took assignment of an Exploration Farm-In Agreement (the "Farm-In Agreement"), pursuant to which, the Company may earn up to a 100% participating interest to acquire, explore and develop an exploration license known as the Carron Project in Queensland, Australia.

The Company earned an initial 50% participating interest (the "Stage 1 Earn-in") in the Carron Project further to an amending agreement, dated November 22, 2019 (the "Initial Earn-in Date"), whereby the Company and the counterparty to the Farm-In Agreement (the "Optionor") agreed to recognize i) certain expenditures incurred as of September 30, 2019, and (ii) the reimbursement to the Optionor of an amount of AUD 50,000 for costs incurred by the Optionor, as satisfying the Stage 1 Earn-in.

Inflection Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS (continued)

b) Carron Project (Queensland) (continued)

The Farm-In Agreement also provides for incremental farm-in levels, as follows:

1. The Company may earn a further 20% interest to bring its participation interest to 70% if it elects within three years of the Initial Earn-in Date to incur a further AUD 1,000,000 in mineral exploration expenditures, with a substantial portion being the cost of drilling (the "Stage 2 Earn-in").
As at June 30, 2021, the Company continued to incur expenditures toward the Stage 2 Earn-in. All expenses recognized are those incurred by the Company.
2. Following the Stage 2 Earn-in, the Company may elect at its sole discretion to complete a further earn-in (the "Stage 3 Earn-in") as either:
 - i) Acquire a further 30% interest to bring its interest to 100% by issuing a number of Common Shares to the Optionor based on a formula determined by an independent valuator; or
 - ii) Acquire a further 20% interest to bring its participation interest to 90% by completing a feasibility study. Where the Company achieves a Stage 3 Earn-in to a 90% interest, the Company shall enter into a royalty agreement with the Optionor. Within 60 days of the Stage 3 Earn-in Date, the Optionor may elect to contribute to expenditures in proportion to its 10% participating interest in a bankable feasibility study, and if the Optionor does not make such election, then its 10% interest shall be converted into a 2% NSR royalty.

On September 4, 2020, the Company received approval for a drilling grant in the value of up to AUD 72,000 from the State of Queensland to be applied towards the drill program (the "QLD Grant"). As of June 30, 2021, the Company had not yet recovered any amount pursuant to the QLD Grant.

c) AI Project (New South Wales)

On December 31, 2017, the Company took assignment of an Exploration Alliance Agreement (the "Alliance Agreement") dated May 1, 2017, whereby the Company acquired the rights from the licencing counterparty (the "Licensor") to use proprietary neural network data for a specified period to assist in targeting potential projects, each a "Project Area", in the Lachlan Fold Belt located in New South Wales, Australia for a three-year term ending May 1, 2020 (the "License Period"). The License Period was extended to July 31, 2021 by an amending agreement dated, July 29, 2020.

The Company had also agreed to pay the Licensor certain additional consideration, and incur expenditures solely at the discretion of the Company should specified "Project Areas" be determined.

Subsequent to the License Period and until May 1, 2023, the Company may acquire an interest in a mineral property within the area covered by the proprietary data by paying a 5% fee on all quarterly exploration expenditures incurred on the specified property; payable at the Company's election in either cash or Common Shares. After May 1, 2023, the Company may acquire an interest in a mineral property within the area covered by the proprietary data with no further compensation to the Licensor.

Since taking assumption of the Alliance Agreement, the Company acquired five exploration licenses using the proprietary data; none of which have been designated a Project Area. During the year ended September 30, 2020, the Company relinquished rights to four of the exploration licenses further to a decision not to continue with exploration thereon; accordingly, \$69,044 was written off.

During July 2021, the Company completed a final site visit to the remaining AI Project EL and determined that the EL should be relinquished. As the Company completed work on the EL after period end, and drew the conclusion to abandon the EL in August 2021, the Company expects to write-down the full value of the AI Project in the fourth quarter of the fiscal year.

Inflection Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended June 30, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2021	September 30, 2020
Accounts payable	\$ 363,657	\$ 491,212
Accrued liabilities	7,530	4,670
	\$ 371,187	\$ 495,882

Included in accounts payable and accrued liabilities at June 30, 2021 is \$29,477 (September 30, 2020 - \$205,613) due to related parties (Note 9).

8. SHARE CAPITAL

Authorized:

Unlimited number of Common Shares without par value.

a) Share Issuances

As at June 30, 2021, 71,270,670 Common Shares (September 30, 2020: 57,355,714) were issued and outstanding; 16,346,251 of which were held in escrow (September 30, 2020 – 19,615,501).

Share capital transactions were as follows:

Nine months ended June 30, 2021

- i. Private Placement Financing:* On May 14, 2021, the Company closed a non-brokered private placement (the "Spring Financing") raising gross proceeds of \$4,437,490 through the sale of 13,867,156 units (the "PP Units") priced at \$0.32 per PP Unit. Each PP Unit consists of one Common Share and one half of one share purchase warrant, with each whole warrant ("Warrants") exercisable into one further common share at a price of \$0.50 for a term of two years.
The Company paid cash finders' fees of \$158,832, and issued 468,225 broker warrants ("Broker Warrants") exercisable at \$0.32 per Common Share for a one-year term relating to a portion of the Spring Financing.
- ii. Exercise of Options:* Pursuant to the exercise of 45,000 options to purchase Common Shares ("Options") at an exercise price of \$0.20, the Company issued 45,000 Common Shares on April 16, 2021.
- iii. Exercise of Agent Options:* On February 3, 2021, 1,800 Agent Options with an exercise price of \$0.25 were exercised resulting in the issuance of 1,800 Common Shares and 900 Warrants with an exercise price of \$0.40 for gross proceeds of \$720 (Note 8(d)).

Nine months ended June 30, 2020

- iv. December Financing:* On December 19, 2019, the Company closed the first tranche of a private placement financing consisting of 5,768,638 units at \$0.22 for total gross proceeds of \$1,269,100 ((the "December Financing"). Each unit consists of one Common Share and one whole Warrant. Each Warrant entitles the holder to acquire one Common Share at a price of \$0.30 and is exercisable until June 19, 2022. The Company paid a cash finder's fee of \$35,153 in connection with the first tranche of the December Financing.
On January 31, 2020, the Company closed the final tranche of the December Financing issuing of 6,264,545 units at \$0.22 for gross proceeds of \$1,378,200. Each Warrant entitles the holder to acquire one Common Share at a price of \$0.30 and is exercisable until July 31, 2022. A 6% commission comprised of \$14,196 cash was paid on \$214,500 of the final tranche.
- v. Exercise of Options:* Pursuant to the exercise of 1,000 Options at an exercise price of \$0.20, the Company issued 1,000 Common Shares on October 27, 2020.

Inflection Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended June 30, 2021 and 2020

(Unaudited - Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

b) Stock Options

The Company has a stock option plan under which it is authorized to grant Options of up to a maximum of 10% of the number of issued and outstanding Common Shares to executive officers, directors, employees and consultants enabling the holder to acquire Common Shares. Vesting is at the discretion of the Board. In the absence of a vesting schedule, Options shall vest immediately.

During the nine months ended June 30, 2021, the Company recognized \$248,155 (2020 - \$219,446) in share-based compensation for the Options vested during the period. The value of which is captured in the equity reserves account until such time as the Options are exercised, upon which the corresponding amount will be transferred to share capital.

Option issuances through the six-months ended June 30, 2021:

- i. On October 2, 2020, the Company granted 250,000 Options to an officer of the Company. The Options awarded have an exercise price of \$0.47, vested six-months from the date of the award, and expire on October 1, 2025.
- ii. On November 24, 2020, the Company granted 100,000 Options to an employee of the Company. The Options awarded have an exercise price of \$0.40, vested six-months from the date of the award, and expire on November 24, 2025.
- iii. On March 8, 2021, the Company granted 200,000 Options to an employee of the Company. The Options awarded have an exercise price of \$0.34, vest six-months from the date of the award, and expire on March 8, 2026.

The Company had outstanding Options enabling the holders to acquire Common Shares as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, October 1, 2019	2,010,000	\$ 0.20
Granted	2,280,000	0.33
Outstanding, September 30, 2020	4,290,000	\$ 0.27
Granted	550,000	0.40
Exercised	(46,000)	0.20
Outstanding, June 30, 2021	4,794,000	\$ 0.273
Exercisable, June 30, 2021	4,169,000	\$ 0.30

At June 30, 2021, the remaining average contractual life of Options outstanding is 3.23 years.

The weighted average fair value of Options granted during the nine months ended June 30, 2021, determined using Black-Scholes was \$0.355 (weighted average fair value to date: \$0.185) per Option.

The Company applies the fair value method in accounting for its stock options applying the Black-Scholes Option Pricing Model using the following estimates:

	June 30, 2021
Weighted average risk-free rate	0.52%
Weighted average expected life of Options	4.68 years
Weighted average expected annualized volatility	125%
Weighted average expected dividend rate	-

For the purposes of estimating the fair value of options using Black-Scholes, certain assumptions are made such as expected dividend yield, volatility of the market price of the Common Shares, risk-free interest rates and expected average life of the Options. The Company bases its expectation of volatility on the volatility of similar publicly-listed companies, as the expected life of the Options exceeds the trading history of the Common Shares.

Inflection Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended June 30, 2021 and 2020

(Unaudited - Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

b) Stock Options (continued)

As at June 30, 2021, the following Options were outstanding:

Expiry Date	Number of Options	Weighted Average Exercise Price	Weighted Average Exercise Period
August 26, 2022	300,000	\$ 0.55	1.16
March 21, 2024	1,964,000	\$ 0.20	2.66
March 10, 2025	1,980,000	\$ 0.30	3.70
October 2, 2025	250,000	\$ 0.47	4.26
November 24, 2025	100,000	\$ 0.40	4.41
March 8, 2026	200,000	\$ 0.34	4.69
	4,839,000	\$ 0.273	3.07

c) Warrants

Warrant transactions and the number of Warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, October 1, 2019	-	\$ -
Issued	22,552,516	0.33
Exercised	(67,500)	0.40
Outstanding, September 30, 2020	22,485,016	\$ 0.33
Issued on exercise of Agent Options	900	0.40
Issued in Spring Financing	7,401,803	0.49
Exercised	-	-
Outstanding, June 30, 2021	29,887,719	\$ 0.37

An amount of \$27,000 was recognized to share capital pursuant to the exercise of 67,500 Warrants during the year ended September 30, 2020.

The remaining contractual life of Warrants outstanding as at June 30, 2021 is 1.10 years.

As at June 30, 2021, the following Warrants were outstanding:

Expiry Date	Number of Warrants	Weighted Average Exercise Price	Weighted Average Exercise Period
		\$	(Years)
January 17, 2022	6,995,915	0.40	0.55 ⁽¹⁾
May 14, 2022	468,225	0.32	1.10
June 19, 2022	9,225,456	0.30	0.97
July 31, 2022	6,264,545	0.30	1.08
May 14, 2023	6,933,578	0.50	1.87
	29,887,719	0.37	1.10

⁽¹⁾ If the closing price of the Common Shares on the CSE is equal to or greater than \$0.80 for any 10 consecutive trading days, the Company may, upon providing written notice to the holders of those Warrants issued on July 17, 2020 (the "IPO Warrants"), accelerate their expiry date to the date that is 30 days following the date of such written notice.

Inflection Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended June 30, 2021 and 2020

(Unaudited - Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

d) Agent Options

In connection with the closing of the Company's initial public offering ("IPO"), on July 17, 2020, the Company issued 1,120,000 non-transferable "Agent Options". The value of which (\$155,933, the equivalent to 8% of the units sold) has been allocated to share issuance costs for the IPO.

Each Agent Option is exercisable at \$0.25 until January 17, 2022 to acquire one Common Share and one-half of one non-transferrable "Compensation Warrant". Each whole Compensation Warrant will be exercisable to purchase one Common Share at \$0.40 until January 17, 2022, subject to the same acceleration clause as the IPO Warrants (Note 8(c)). The value of the Agent Options was determined using the Black-Scholes Option Pricing Model with a risk-free rate of 0.27%, volatility factor of 125%, 0% dividend and an expected life of eighteen months.

	Number of Agent Options		Weighted Average Exercise Price
Outstanding, October 1, 2019	-	\$	-
Issued	1,120,000		0.25
Exercised	(125,030)		0.25
Outstanding, September 30, 2020	994,970	\$	0.25
Issued	-		-
Exercised	(1,800)		0.25
Outstanding, June 30, 2021	993,170	\$	0.25

9. RELATED PARTY TRANSACTIONS

All related party transactions are recorded at the exchange amount which is the amount agreed to by the Company and the related party.

a) **Strategic Consulting Agreement**

The Company was party to a Strategic Consulting Agreement with OCP Holdings Ltd. (formerly, Ore Capital Partners Ltd., "OCP"), a related party, dated July 1, 2018 that was amended on September 1, 2019, and terminated on February 29, 2020. OCP holds approximately 20.7% of the outstanding Common Shares, and shares a common director. During the period presented in the Interim Financial Statements, the Company paid a monthly fee of \$5,000 as compensation for the services provided until the termination of the agreement. During the nine months ended June 30, 2021, an amount of \$nil (2020 - \$25,000) was invoiced by OCP to the Company pursuant to the consulting agreement. As at June 30, 2021, \$nil (September 30, 2020: \$140,000) was payable to OCP.

b) **Key Management Compensation**

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include directors, the President and Chief Executive Officer (the "CEO"), the Chief Financial Officer (the "CFO"), and the Vice President, Exploration (the "VPEX"). Key management personnel compensation is comprised of the following:

	For the nine months ended	
	June 30, 2021	June 30, 2020
Consulting	\$ 5,500	\$ 63,983
Geological consulting capitalized (Note 6)	142,368	190,985
Salaries, benefits and directors' fees	459,168	71,316
Share-based compensation	98,602	219,446
	\$ 705,638	\$ 545,730

The amount for salaries, benefits and directors' fees includes \$117,000 in directors' fees for the nine months ended June 30, 2021 (2020 - \$nil), \$9,142 of which is payable at June 30, 2021 (September 30, 2020: \$nil). As at June 30, 2021, \$nil (September 30, 2020: \$12,589) in salaries (net of required payroll withholdings) was payable to key management.

Inflection Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended June 30, 2021 and 2020

(Unaudited - Expressed in Canadian dollars)

9. RELATED PARTY TRANSACTIONS (continued)**b) Key Management Compensation** (continued)

The Company and the CEO entered into an employment agreement effective January 1, 2020. The CEO had previously been remunerated pursuant to a consulting agreement with Waddell Consulting Inc. ("Waddell"), a company controlled by the CEO. During the nine months ended June 30, 2021, an amount of \$nil (2020: \$45,000) was paid to Waddell for management and geological consulting services, of which \$nil (2020: \$45,000) was capitalized to the value of the exploration and evaluation assets as geological services (Note 6). As at June 30, 2021, \$nil (September 30, 2020: \$31,500) was payable to Waddell.

During the nine months ended June 30, 2021, an amount of \$nil (September 30, 2020 - \$5,775) was due to Cariboo Sky Consulting Ltd. ("Cariboo"), a company controlled by the former CFO of the Company.

The Company and the VPEx entered into an employment agreement effective January 1, 2020. The VPEx had previously been remunerated pursuant to a consulting agreement with Swensson Integrated Resource Management ("Swensson"). During the nine months ended June 30, 2021, an amount of AUD 148,500 (\$142,368) was charged to the Company by Swensson and capitalized to exploration and evaluation assets as geological services (2020 - \$120,468). As at June 30, 2021, AUD 16,500 (\$15,337) was payable to Swensson (September 30, 2020: AUD 18,150 (\$17,324)).

c) Private Placement

Waddell purchased 50,000 PP Units (\$16,000) in the Spring Financing. Wendell Zerb, a director of the Company, purchased 160,000 PP Units (\$51,200) in the Spring Financing, and Tero Kosonen, a director of the Company purchased 155,600 PP Units (\$49,600) in the Spring Financing.

10. SEGMENTED INFORMATION

Reportable segments are those operations whose operating results are reviewed by the chief operating decision maker, being the individual(s) at Inflection making decisions about resources to be allocated to a particular segment, and assessing performance provided those operations pass certain quantitative thresholds.

The Company undertakes administrative activities in Canada, and is engaged in the acquisition, exploration, and evaluation of certain mineral property interests in Australia. Accordingly, the Company's operations are in two geographic and only one commercial segments. The Company is in the exploration stage and accordingly, has no reportable segment revenues.

The net loss is distributed by geographic segment per the tables below:

	For the nine months ended June 30,			
	2021		2020	
Canada	\$	1,038,425	\$	658,564
Australia		22,857		18,373
	\$	1,061,282	\$	676,937

The Company's assets are distributed by geographic segment, as per the table below:

	June 30, 2021				
	Canada		Australia		Total
Current assets	\$	4,391,580	\$	156,570	\$ 4,548,151
Refundable security deposits		-		288,377	288,377
Exploration and evaluation assets		-		6,115,454	6,115,454
Total assets	\$	4,391,580	\$	6,560,402	\$ 10,951,982

	September 30, 2020				
	Canada		Australia		Total
Current assets	\$	4,056,834	\$	128,668	\$ 4,185,502
Refundable security deposits		-		216,671	216,671
Exploration and evaluation assets		-		3,178,558	3,178,558
Total assets	\$	4,056,834	\$	3,523,897	\$ 7,580,731

11. FINANCIAL RISKS AND CAPITAL MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board is provided with updates from management as to changes in perceived risks, and is responsible for approving and monitoring risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in a bank account held with a major bank in Canada. The risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The Company has secondary exposure to credit risk on its receivables. This risk is minimal as receivables consist primarily of refundable goods and services taxes.

Foreign Exchange Risk

The significant market risk to which the Company is exposed is foreign exchange risk. The results of the Company's operations are exposed to currency fluctuations. To date, the Company has raised funds entirely in Canadian dollars. The majority of the Company's mineral property expenditures will be incurred in Australian dollars. The fluctuation of the Canadian dollar relation to the AUD will consequently have an impact upon the financial results of the Company.

The Company has not entered into any derivative contracts to manage foreign exchange risk at this time. A significant portion of the Company's cash balance may be held in AUD in any given period.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company assessed its liquidity risk as high.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. As the only interest-bearing financial instruments held by the Company consist of short-term Guaranteed Investment Certificates held with major bank in Canada, the Company is not exposed to any significant interest rate risk.

Capital Management

The Company defines its capital as shareholders' equity. It manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support future business opportunities. The Board 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 Company is dependent upon external financing or the sale of assets to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. 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 approach to capital management has not changed since the prior year, and the Company is not subject to externally imposed capital requirements.