



INFLECTION RESOURCES LTD.

An exploration stage company

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Inflection Resources Ltd.

Opinion

We have audited the consolidated financial statements of Inflection Resources Ltd. (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2021 and 2020, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describe events or conditions that indicate 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

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

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

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, 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 Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Barry Hartley.

DML

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

January 27, 2022



An independent firm
associated with Moore
Global Network Limited

Inflection Resources Ltd.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Notes	September 30, 2021	September 30, 2020
ASSETS			
Current assets			
Cash and cash equivalents	3	\$ 3,538,297	\$ 4,054,221
Other receivables		62,203	105,081
Prepaid expenses and deposits		75,834	26,200
Total current assets		3,676,334	4,185,502
Non-current assets			
Refundable security deposits	5, 6, 7	323,419	216,671
Exploration and evaluation assets	6, 7, 10	5,986,879	3,178,558
TOTAL ASSETS		\$ 9,986,632	\$ 7,580,731
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8, 10	\$ 233,463	\$ 495,882
Total liabilities		233,463	495,882
SHAREHOLDERS' EQUITY			
Share capital	9	12,375,454	8,118,449
Reserve	9	1,213,265	875,697
Deficit		(3,835,550)	(1,909,297)
Total shareholders' equity		9,753,169	7,084,849
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 9,986,632	\$ 7,580,731

Nature of operations and going concern – Note 1
Subsequent event – Note 14

APPROVED ON BEHALF OF THE BOARD ON JANUARY 27, 2022:

"Alistair Waddell"

"Cecil R. Bond"

DIRECTOR

DIRECTOR

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

Inflection Resources Ltd.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	Notes		For the year ended September 30, 2021		For the year ended September 30, 2020
Expenses					
Salaries and benefits	10	\$	502,823	\$	108,739
Share-based compensation	9, 10		285,501		364,316
Investor communication			295,801		49,434
Office and administrative			76,449		138,383
Professional fees			70,338		96,257
Listing and filing fees			68,856		62,534
Consulting fees	10		37,082		136,613
Project generation			10,193		-
Total expenses			1,347,043		956,276
Other items					
Write-down of exploration and evaluation assets	7		538,619		69,044
Foreign exchange loss			53,470		33,426
Interest income			(12,879)		(21,359)
Total other items			579,210		81,111
Net loss and comprehensive loss		\$	1,926,253	\$	1,037,387
Loss per share – basic and diluted		\$	0.03	\$	0.02
Weighted average number of common shares outstanding – basic and diluted			62,659,325		42,709,820

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

Inflection Resources Ltd.
Consolidated Statements of Changes in Shareholders' Equity
(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 pursuant to private placements	12,033,183	2,647,300	(280,200)	-	-	2,367,100
Shares issued pursuant to IPO	14,000,000	3,500,000	-	-	-	3,500,000
Shares issued for exercise of Agent Options	125,030	48,637	-	(17,379)	-	31,258
Shares issued for exercise of Warrant	67,500	27,000	-	-	-	27,000
Share issue costs	-	(650,989)	-	155,933	-	(495,056)
Share-based compensation	-	-	-	364,316	-	364,316
Net loss for the year	-	-	-	-	(1,037,387)	(1,037,387)
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	-	(198,145)	-	60,077	-	(138,068)
Shares issued for exercise of Options	46,000	16,960	-	(7,760)	-	9,200
Shares issued for exercise of Agent Options	1,800	700	-	(250)	-	450
Share-based compensation	-	-	-	285,501	-	285,501
Net loss for the year	-	-	-	-	(1,926,253)	(1,926,253)
Balance, September 30, 2021	71,270,670	\$ 12,375,454	\$ -	\$ 1,213,265	\$ (3,835,550)	\$ 9,753,169

Share capital – Note 9

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

Inflection Resources Ltd.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	For the year ended	
	September 30, 2021	September 30, 2020
Operating activities		
Net loss for the year	\$ (1,926,253)	\$ (1,037,387)
Non-cash items:		
Share-based compensation	285,501	364,316
Write-down of exploration and evaluation assets	538,619	69,044
Changes in non-cash working capital items:		
Other receivables	42,878	(75,382)
Prepaid expenses and deposits	(49,634)	(15,733)
Accounts payable and accrued liabilities	(262,419)	162,976
Net cash flows used in operating activities	(1,371,308)	(532,166)
Investing activities		
Additions to exploration and evaluation assets	(3,453,684)	(1,243,762)
Receipt of government grant	106,744	-
Cash paid for acquisition of Romardo Copper, net	-	(12,271)
Payment of refundable security deposits, net	(114,296)	(42,876)
Net cash flows used in investing activities	(3,461,236)	(1,298,909)
Financing activities		
Proceeds on issuance of shares	4,437,490	5,867,100
Proceeds from exercise of Options	9,200	-
Proceeds from exercise of Agent Options	450	31,258
Proceeds from exercise of warrants	-	27,000
Cash paid for share issue costs	(138,068)	(495,056)
Net cash flows provided by financing activities	4,309,072	5,430,302
Effect of foreign exchange	7,548	(296)
Change in cash and cash equivalents	(515,924)	3,598,931
Cash and cash equivalents, beginning of year	4,054,221	455,290
Cash and cash equivalents, end of year	\$ 3,538,297	\$ 4,054,221
Cash and cash equivalents consist of:		
Cash	\$ 3,538,297	\$ 135,221
Redeemable GIC	-	3,919,000
	\$ 3,538,297	\$ 4,054,221
Non-cash investing and financing activities:		
Equity issued as finders' and agent fees	\$ 60,077	\$ 155,933

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

Inflection Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2021 and 2020

(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 Street, Vancouver, British Columbia, 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 consolidated financial statements for the years ended September 30, 2021 and 2020 (the "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 September 30, 2021, the Company has not yet achieved profitable operations, had incurred a net loss of \$1,926,253 (2020 - \$1,037,387) and has an accumulated deficit of \$3,835,550 (2020 - \$1,909,297). 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 to 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 property interests. 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 Financial Statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of consolidation and presentation

The 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 Financial Statements from the date on which control was transferred to the Company (Note 6 and 7(b)). 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 Consolidated Financial Statements
For the years ended September 30, 2021 and 2020
(Expressed in Canadian dollars)

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

The 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, the Financial Statements have been prepared using the accrual basis of accounting except for cash flow information. The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

Certain comparative figures have been adjusted to conform to the current year's presentation.

The Board of Directors of the Company (the "Board") authorized the Financial Statements on January 27, 2022.

3. SIGNIFICANT ACCOUNTING POLICIES**a. Cash and cash equivalents**

Cash equivalents include short term deposits with an original maturity of three months or less and are readily convertible into a known amount of cash. As of September 30, 2021, the Company held \$nil (2020 - \$3,919,000) in cash equivalents.

b. Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL.

For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification under IFRS 9, *Financial Instruments* ("IFRS 9"):

Financial assets / liabilities	Classification
Cash and cash equivalents	FVTPL
Receivables	Amortized cost
Accounts payable	Amortized cost

i) Measurement**Financial assets and liabilities at amortized cost**

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in Other Comprehensive Income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Inflection Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**b. Financial Instruments** (continued)*ii) Impairment of financial assets at amortized cost*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

iii) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

Financial instrument disclosures – fair value hierarchy

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks. The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 — Unadjusted quoted prices (unadjusted) in active markets for identical assets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 — Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 — Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

c. Foreign currency translation

The presentation currency of the Company is the Canadian dollar. The functional currency for the parent entity and each of its subsidiaries is the currency of the primary economic environment in which each entity operates. Management have determined that the Company, and its Australian subsidiaries have a Canadian dollar functional currency. References to Australian dollars denoted as "AUD", and United States' dollars as "USD".

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange gains and losses on translation are included in profit and loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Exploration and evaluation assets ("E&E")

Once the legal right to explore a property has been acquired, costs directly related to E&E expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling and assay costs and payments made to contractors during the exploration phase. Expenditures not directly attributable to E&E activities, including general and administrative overhead costs, are expensed in the period in which they occur. The costs are accumulated by exploration area and are not depleted pending determination of technical feasibility and commercial viability.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that mineral property purchase options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as E&E assets or recoveries when the payments are made or received.

The Company also recognizes and capitalizes the cost of capital equipment directly related to its mineral exploration properties as a component of E&E assets. Indirect costs that are included in the cost of an exploration and evaluation asset include, among other things, charges for depreciation of equipment used in exploration and evaluation activities.

The carrying value of all categories of E&E assets are reviewed at least annually by management for indicators that the recoverable amount may be less than the carrying value. When a project is deemed to no longer have commercially viable prospects to the Company, E&E expenditures in respect of that project are deemed to be impaired. As a result, those E&E expenditures, in excess of estimated recoveries, are written off to the statement of comprehensive loss.

e. Reclamation obligations

The Company records provisions for reclamation and remediation based on the best estimate of costs for reclamation activities that it is required to undertake, and the liability is recognized at fair value at the time such environmental disturbance occurs. The liability is accreted over time through periodic charges to the consolidated statements of comprehensive loss. In addition, the reclamation cost is capitalized as part of the mineral property's carrying value and, upon commercial production, will be amortized over the life of the related mineral property. The capitalized amount is depreciated on the same basis as the related asset. Reclamation costs are periodically adjusted to reflect changes in the estimated present value resulting from the passage of time and revisions to the estimates of either the timing or amount of the reclamation costs. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation costs. Changes in reclamation estimates are reflected in profit or loss in the period an estimate is revised. Estimated reclamation obligations are based on when spending for an existing disturbance is expected to occur. The Company reviews, on an annual basis, unless otherwise deemed necessary, the reclamation obligation for each of its exploration properties.

Based on the level of disturbance, the nature and timing of reclamation activity, and potential reclamation activities, the Company has not accrued any provision for reclamation as at September 30, 2021.

f. Impairment of non-financial assets

At the end of each reporting period the carrying amounts of the assets are reviewed to determine whether there is any indication that those assets are impaired. Impairment is recognized when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. The impairment loss is recognized in the profit or loss in the period the impairment is determined.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Provisions and constructive obligations

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

h. Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. Common Shares, share purchase warrants ("Warrants"), stock options to purchase Common Shares ("Options"), and compensation options ("Agent Options") awarded in connection with the initial public offering ("IPO"), are classified as equity instruments. Incremental costs directly attributable to the issue of new Common Shares are recognized as a deduction from equity.

i. Share-based payments

Where equity-settled Options are awarded to employees, the fair value of the Options at the date of grant is recognized in profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of Options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the Options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of Options are modified before they vest, the increase in the fair value of the Options, measured before and after the modification, is also charged to the profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of Common Shares. Amounts related to the issuance of Common Shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

All equity-settled share-based payments are reflected in the reserve, until exercised. Upon exercise, Common Shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid. Where a grant of Options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

j. Loss per share

Basic loss per Common Share is computed by dividing the net loss for the year by the weighted average number of Common Shares outstanding for the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue Common Shares were exercised or converted to Common Shares. The treasury stock method is used to determine the dilutive effect of Options, Agent Options, and other dilutive instruments. Under the treasury stock method, the weighted average number of Common Shares outstanding used in the calculation of the diluted per share amount assumes that the deemed proceeds received from the exercise of Options, Warrants and their equivalents would be used to repurchase 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 Options and Warrants is considered to be anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Comprehensive loss

Comprehensive loss includes net income or loss and other comprehensive income or loss. Other comprehensive income or loss may include holding gains and losses on available-for-sale securities, gains and losses on certain derivative instruments and foreign gains and losses from self-sustaining foreign operations.

l. Income taxes

Provision for income taxes consists of current and deferred tax expense. Income tax expense is recognized in profit or loss except to the extent that it relates to a business combination or items recognized either in other comprehensive income or directly 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 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 temporary differences associated with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss and temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted at 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.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference 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.

m. New accounting standards issued but not yet effective

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Financial Statements requires management to make certain estimates, judgments and assumptions that affect the application of policies and reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year.

Although management used historical experience and its best knowledge of the amount, events or actions to form the basis for judgements and estimates, actual results could differ from these estimates.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which has the most significant effect on the amounts recognized in the Financial Statements.

- i) **Going concern assumption:** In determining whether it is appropriate for the Company to be reported as a going concern, management exercises judgement, having undertaken appropriate enquiries and having considered the business activities, principal risks and uncertainties.
- ii) **Functional currency:** Determination of functional currency involves certain judgments to determine the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Inflection Resources Ltd.

Notes to the Consolidated Financial Statements

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4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)*Judgments (continued)*

- iii) Recoverability of exploration and evaluation assets: The Company capitalizes mining property acquisition costs which are to be amortized when production is attained or the balance thereof written off should the property be disproven through exploration or abandoned. The carrying value of the Company's mineral property is reviewed by management at least annually, or whenever events or circumstances indicate that its carrying value may not be recovered. If impairment is determined to exist, a formal estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount.
- iv) IFRS 16, *Leases* ("IFRS 16") applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. The Company will need to apply judgement on certain factors, including whether the supplier has substantive substitution rights, whether the Company obtains substantially all of the economic benefits and who has the right to direct the use of that asset.

IFRS 16 requires that lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The standard defines the incremental borrowing rate as the interest rate the Company would pay to borrow over a similar term the funds necessary to obtain an asset of a similar value to the right-of-use-asset in a similar economic environment.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

- i) Valuation of shares issued in non-cash transactions.

Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

- ii) Provision for environmental rehabilitation

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 and changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available.

- iii) Inputs used in the valuation of share-based payments

The assumptions used in the calculation of value of share-based payments are inherently uncertain. The resulting value calculated is not necessarily the value that the holder of the equity compensation could receive in an arm's length transaction, given that there is no market for the Options, Agent Options or Warrants. Changes in these assumptions could materially affect the estimated fair values (Note 9).

- iv) Recognition of deferred tax assets.

The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets (Note 13).

The Company provides for such differences, where known, based on management's best estimate of the probable outcome of these matters.

Inflection Resources Ltd.

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5. REFUNDABLE SECURITY DEPOSITS

As at September 30, 2021 and 2020, the Company held 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
September 30, 2019	\$ 48,396	\$ 107,253	\$ 155,649
Additions	-	60,726	60,726
Foreign exchange	(671)	967	296
September 30, 2020	\$ 47,725	\$ 168,946	\$ 216,671
Additions/(recovery)	(37,428)	151,724	114,296
Foreign exchange	(1,135)	(6,413)	(7,548)
September 30, 2021	\$ 9,162	\$ 314,257	\$ 323,419

Refundable security deposits consist of the basic security deposit required on issuance of each exploration license as well as additional deposits for environmental related bonding amounts. Basic security deposits are each valued at AUD 10,000 (\$9,162) per claim held. Environmental related bonding amounts are based on the respective exploration license size and levels of disturbance contemplated under the specific exploration permit.

Eleven of these security deposits were acquired pursuant to an assignment agreement (Notes 7(a) and (b)), dated December 31, 2017 (aggregate value at acquisition of \$127,413); two others were acquired pursuant to the acquisition of Romardo Copper (Note 6). The remaining licenses were staked directly by the Company.

Pursuant to the determination to relinquish the rights to certain licenses (Note 7(a)), the Company recovered four of the AI Project deposits during the year; with recovery of the final AI Project deposit outstanding.

6. ACQUISITION OF ROMARDO COPPER

On February 11, 2020, the Company completed the acquisition of 100% of the issued and outstanding shares of Romardo Copper in exchange for AUD 13,233 (\$12,289) (Note 7(b)). The acquisition was treated as an asset acquisition. The assets and liabilities were recorded at their fair value with the excess of the consideration over the net assets acquired allocated to exploration and evaluation assets acquired.

Romardo Copper is a mineral exploration company incorporated in Australia and owns 100% of the rights, title and interest in two exploration licenses located in New South Wales, Australia.

The acquisition was recorded as follows:

Fair value of consideration	
Cash	\$ 12,289
Cash	18
Loan receivable	222
Exploration and evaluation assets	29,862
Refundable security deposit (Note 5)	17,850
Loan from the Company	(44,505)
Net identifiable assets acquired	3,447
Excess allocated to exploration and evaluation assets	\$ 8,842

Inflection Resources Ltd.

Notes to the Consolidated Financial Statements
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7. EXPLORATION AND EVALUATION ASSETS

As at September 30, 2021, 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, September 30, 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
Write-down of exploration assets		-		-		(217,337)		(217,337)
Balance, September 30, 2021	\$	525,413	\$	95,214	\$	-	\$	620,627
<i>Deferred exploration costs:</i>								
Balance, September 30, 2019	\$	785,087	\$	149,785	\$	292,844	\$	1,227,716
Additions:								
Geological services (Note 10)		358,122		58,502		51,285		467,909
Drilling and assays		295,337		-		18,731		314,068
Claim management 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		8,528		1,103		-		9,631
Total additions		1,019,830		71,513		90,579		1,181,922
Write-down of exploration assets		-		-		(69,044)		(69,044)
Balance, September 30, 2020	\$	1,804,917	\$	221,298	\$	314,379	\$	2,340,594
Additions:								
Geological services (Note 10)		647,424		93,519		1,427		742,370
Drilling and assays		1,823,314		208,532		-		2,031,846
Claim management fees		252,230		19,734		5,476		277,440
Administration and maintenance		280,647		27,172		-		307,819
Geophysics		73,556		20,653		-		94,209
Total additions		3,077,171		369,610		6,903		3,453,684
Recovery of government grant		(38,312)		(68,432)		-		(106,744)
Write-down of exploration assets		-		-		(321,282)		(321,282)
Balance, September 30, 2021	\$	4,843,776	\$	522,476	\$	-	\$	5,366,252
Balance, September 30, 2020	\$	2,330,330	\$	316,512	\$	531,716	\$	3,178,558
Balance, September 30, 2021	\$	5,369,189	\$	617,690	\$	-	\$	5,986,879

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7. EXPLORATION AND EVALUATION ASSETS (continued)**Artificial Intelligence, Northern New South Wales and Carron Projects**

The exploration properties subject to these agreements encompass the Artificial Intelligence ("AI") Project (Note 7(a)), the Northern New South Wales ("NNSW") Project (Note 7(b)), and an optioned interest in the Carron Project (Note 7(c)).

a) 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 licensing 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.

Pursuant to the Alliance Agreement, the Company paid USD 60,000 in cash, and agreed to incur at least USD 250,000 in exploration expenditures within the area covered by the proprietary data (incurred).

The Company and the Licensor entered into a supplemental agreement dated April 1, 2018, whereby the Company agreed to pay \$60,000 to exclude certain properties from the area covered by the proprietary data. On February 14, 2019, the Company settled the amount owing through the issuance of 300,000 Common Shares at \$0.20 per share to the Licensor.

The Company had also agreed to pay the Licensor the following consideration solely at the discretion of the Company:

1. a fee of USD 10,000 for any Project Area selected by the Company, as defined in the Agreement, within seven days of the Project Area becoming effective.
2. a fee equal to 5% of all expenditures incurred on any Project Area, as defined in the Agreement.
3. For each mine established within a Project Area, the Licensor will receive a 2.0% net smelter returns royalty ("NSR"), of which the Company may purchase 0.5% for USD 1,000,000 at any time.

Since taking assignment of the Alliance Agreement, the Company acquired five exploration licenses using the proprietary data, but had not designated any Project Areas. 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, resulting in a write-down in that period of \$69,044. During the year ended September 30, 2021, the Company determined to abandon the one remaining exploration license; resulting in the write-off of the remaining carrying value of the AI Project.

Pursuant to the Alliance Agreement, through until May 1, 2023, the Company retains a right to 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.

b) Northern New South Wales Project (Northern New South Wales)

The Company holds 100% interest in the Northern New South Wales ("NNSW") located in the Lachlan Fold Belt region of New South Wales, Australia.

Acquired NNSW licenses

On December 31, 2017, the Company took assignment of a Binding Term Sheet (the "Term Sheet") dated June 6, 2017 under which the Company agreed to acquire 100% interest in eleven exploration licenses and applications (the "Acquired NNSW licenses") 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. The Company has also subsequently staked multiple additional exploration licenses contiguous to the those acquired pursuant to the Term Sheet.

7. EXPLORATION AND EVALUATION ASSETS (continued)

b) Northern New South Wales Project (Northern New South Wales) (continued)

Acquired NNSW licenses (continued)

Consideration paid to the Vendor pursuant to the NNSW Agreements:

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.

The Company was obligated to incur AUD 500,000 in exploration expenditures on the Licenses by June 6, 2018; the expenditure of which has been completed.

The Company shall pay a 2% NSR to the Vendor from any future production, of which the Company may purchase 1% for AUD 3,000,000 at any time.

With effect beginning September 2020, Inflection was awarded three grants from the Government of NSW's New Frontiers Cooperative Drilling Program (the "NFCDP Grants"), administered by the Geological Survey of NSW. As at September 30, 2021, the aggregate value of available funding under the NFCDP Grants was AUD 92,024. Receipt of NFCDP grant funds, is through reimbursement of eligible expenditures. As of September 30, 2021, the Company had recovered AUD 40,309 (\$38,312) pursuant to the NFCDP Grants. The amount received reduced the carrying value of the NNSW Project.

Romardo Copper

On February 11, 2020, the Company completed the acquisition of 100% of the issued and outstanding shares of Romardo Copper (Note 6), 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 Licenses"). The Company considers the Romardo Licenses to be part of the Northern New South Wales Project.

The Romardo Licenses 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:

- 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.

c) Carron Project (Queensland)

On December 31, 2017, the Company took assignment of an Exploration Farm-In Agreement dated March 15, 2017, as subsequently amended (the "Farm-In Agreement"). Pursuant to the Farm-In Agreement, 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) expenditures incurred as of September 30, 2019 of no less than AUD 297,172, including the completion of an airborne magnetics survey, 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.

The Farm-In Agreement also provides for incremental farm-in levels by incurring additional expenditures at the discretion of the Company:

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").

Through September 30, 2021, the Company continued to incur expenditures toward the Stage 2 Earn-in.

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7. EXPLORATION AND EVALUATION ASSETS (continued)**c) Carron Project (Queensland) (continued)**

2. Following the Stage 2 Earn-in, the Company may elect at its sole discretion to complete a further 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 (the "Stage 3 Earn-in"). 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 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. As of September 30, 2021, the Company had recovered the full AUD 72,000 (\$68,432) amount. The amount received reduced the carrying value of the Carron Project.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2021	September 30, 2020
Accounts payable (Note 10)	\$ 214,865	\$ 491,212
Accrued liabilities	18,598	4,670
	\$ 233,463	\$ 495,882

9. SHARE CAPITAL

a) Authorized:

Unlimited number of Common Shares without par value.

b) Share Issuances

Issued: as at September 30, 2021: 71,270,670 Common Shares (September 30, 2020: 57,355,714)

Share capital transactions were as follows:

Year ended September 30, 2021

- i) On May 17, 2021, the Company completed a private placement financing of units consisting of 13,867,156 units priced at \$0.32 for total gross proceeds of \$4,437,490 (the "May Private Placement"). Each unit consists of one Common Share and one half of a Warrant. Each whole Warrant entitles the holder to acquire one Common Share at a price of \$0.50 and is exercisable for a term of 2 years from the date of issuance. The Company paid share issue costs, including cash finders' fees of \$138,068 in connection with the private placement. In addition, the Company issued 378,225 Warrants exercisable at a price of \$0.32, through May 14, 2022 to certain finders in addition to the cash finders' fees ("Broker Warrants"). The Broker Warrants have been valued at \$60,077.

In connection with the Private Placement the Company entered into an agreement providing Crescat Portfolio Management LLC ("Crescat") the right to purchase additional Inflection securities (the "Participation Right") up to its Proportional Percentage. The Participation Right terminates on the date on which Crescat's ownership of Common Shares falls below 1% of the then outstanding Common Shares.

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9. SHARE CAPITAL (continued)

b) Share Issuances (continued)

- ii) On April 16, 2021 the Company issued 45,000 Common Shares pursuant to the exercise of Options for gross proceeds of \$9,000.
- iii) On February 3, 2021, the Company issued 1,800 Common Shares pursuant to the exercise of Agent Options for gross proceeds of \$450.
- iv) On October 27, 2020 the Company issued 1,000 Common Shares pursuant to the exercise of Options for gross proceeds of \$200.

Year ended September 30, 2020

- v) On December 19, 2019, the Company closed the first tranche of a private placement financing of units consisting of 5,768,638 units at \$0.22 for total gross proceeds of \$1,269,100. Each unit consists of one Common Share and one 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 private placement. In addition, the Company issued 3,456,818 Warrants with the same terms as above to the subscribers of a private placement completed on April 5, 2019 to equal out the equity instruments issued under each placement.
- vi) On January 31, 2020, the Company closed the final tranche of the private placement consisting of 6,264,545 units at \$0.22 for total gross proceeds of \$1,378,200. Each unit consists of one Common Share and one Warrant. 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 \$14,197 cash was paid on \$214,500 of the final tranche.

The Company granted one of the investors of the final tranche the right to acquire an additional 4,090,909 Common Shares of the Company at a price of \$0.01 per share such that the total average purchase price of this subscription shall be equal to the per share price of the shares issued under the Company's anticipated IPO. As the IPO price per share was greater than a \$0.22 minimum listing price condition, these rights expired on listing without any additional shares issued under this agreement.

- vii) On July 17, 2020, the Company closed its IPO of 14,000,000 units at \$0.25 for total gross proceeds of \$3,500,000. Each unit consists of one Common Share and one-half of one "IPO Warrant". Each full IPO Warrant entitles the holder to acquire one Common Share at a price of \$0.40 exercisable until January 17, 2022 (Note 14).

If, following the closing of the IPO, 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 the IPO Warrants, accelerate the expiry date of the IPO Warrants to the date that is 30 days following the date of such written notice.

The Company paid an 8% cash commission of \$280,000, a corporate finance fee of \$26,250, agent's legal fees of \$52,483, and issued 1,120,000 non-transferable Agent Options, valued at \$155,933, the equivalent to 8% of the units sold. Each Agent Option is exercisable at \$0.25 until January 17, 2022 to acquire one Common Share and one-half of one non-transferable "Compensation Warrant". Each whole Compensation Warrant is exercisable to purchase one common share at \$0.40 until January 17, 2022. 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. In addition, the Company paid other share issuance costs of \$86,973. A total of \$601,639, including the value of the Agent Options, was allocated to share issuance costs for the IPO (Note 14).

- viii) On September 10, 2020 the Company issued 125,030 Common Shares pursuant to the exercise of Agent Options for gross proceeds of \$31,258.
- ix) On September 22, 2020 the Company issued 67,500 Common Shares pursuant to the exercise of Warrants for gross proceeds of \$27,000.

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9. SHARE CAPITAL (continued)

c) 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 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 of Directors. In the absence of a vesting schedule, such Options shall vest immediately.

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

	Number of Options		Weighted Average Exercise Price
Outstanding, September 30, 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 ¹	(46,000)		0.20
Outstanding, September 30, 2021	4,794,000	\$	0.29
Exercisable, September 30, 2021	4,794,000	\$	0.29

¹ Weighted average share price on dates of exercise: \$0.33

As at September 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	0.90
March 21, 2024	1,964,000	\$ 0.20	2.47
March 10, 2025	1,980,000	\$ 0.30	3.44
October 1, 2025	250,000	\$ 0.47	4.01
November 24, 2025	100,000	\$ 0.40	4.15
March 8, 2026	200,000	\$ 0.34	4.44
	4,794,000	\$ 0.29	2.97

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

	September 30, 2021	September 30, 2020
Weighted average risk-free rate	0.52%	0.51%
Weighted average expected life of options	5 years	4.6 years
Weighted average expected annualized volatility	125%	125%
Weighted average expected dividend rate	-	-

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9. SHARE CAPITAL (continued)

c) Stock Options (continued)

For the purposes of estimating the fair value of options using the Black-Scholes Option Pricing Model, certain assumptions are made such as expected dividend yield, volatility of the market price of the Company's 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 Inflection's Options exceeds the trading history of the Common Shares.

During the year ended September 30, 2021, the Company recognized \$285,501 (2020 - \$364,316) in share-based compensation for the Options vested during the year.

d) Warrants

	Number of Warrants	Weighted Average Exercise Price
Outstanding, September 30, 2019	-	\$ -
Issued	22,552,516	0.33
Exercised	(67,500)	0.40
Outstanding, September 30, 2020	22,485,016	0.33
Issued	7,312,703	0.49
Outstanding, September 30, 2021	29,797,719	\$ 0.37

As at September 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	0.30
May 14, 2022	378,225	0.32	0.85
June 19, 2022	9,225,456	0.30	0.72
July 31, 2022	6,264,545	0.30	0.83
May 14, 2023	6,933,578	0.50	1.62
	29,797,719	0.37	0.85

e) Agent Options

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

¹ Weighted average share price on dates of exercise: September 30, 2021: \$0.40, and September 30, 2020: \$0.55

As at September 30, 2021, there were 993,170 Agent Options outstanding, with a weighted average exercise price of \$0.25, and a weighted average exercise period of 0.30 years. All of these Agent Options expired unexercised on January 17, 2022 (Note 14).

f) Reserve

The reserves account consists of amounts recognized as share-based compensation expense until such time as the Options and Warrants are exercised, upon which the corresponding amount will be transferred to share capital.

g) Escrowed Shares

As at September 30, 2021, the Company held 13,104,001 (2020 – 19,615,501) shares in escrow.

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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) 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 year ended	
	September 30, 2021	September 30, 2020
Consulting	\$ -	\$ 79,000
Geological consulting capitalized (Note 7)	188,187	193,475
Salaries and benefits	428,924	96,600
Salaries and benefits capitalized (Note 7)	-	74,250
Share-based compensation	98,602	354,438
	\$ 715,713	\$ 797,763

The Company executed an employment agreement with the CEO effective January 1, 2020 whereby the CEO will receive a salary of \$16,500 per month for no fixed term. During the year ended September 30, 2021, the CEO received \$198,000 (2020 - \$148,500) pursuant to the employment agreement, of which \$nil (2020 - \$74,250) was capitalized to exploration and evaluation assets as geological services (Note 7). Prior to the agreement, the Company incurred consulting fees to Waddell Consulting Inc. ("Waddell"), a company controlled by the CEO. There were no fees paid to Waddell relating to the year ended September 30, 2021. During the year ended September 30, 2020, an amount of \$45,000 was incurred for consulting, of which \$22,500 was capitalized to the value of the exploration and evaluation assets as geological services (Note 7). As at September 30, 2021, \$nil (2020 - \$31,500) was owed to Waddell.

The Company executed an employment agreement with the CFO effective October 1, 2020 whereby the CFO will receive a salary of \$5,700 per month for no fixed term. During the year ended September 30, 2021, the CFO received \$68,400 (2020 - \$nil) pursuant to the employment agreement.

The Company executed a management agreement with a company controlled by the VPEX effective January 1, 2020 whereby the VPEX will receive a salary of AUD 16,500 per month for no fixed term. During the year ended September 30, 2021, the VPEX received AUD 198,000 (\$188,187) (2020 - AUD 148,500 (\$142,242)) pursuant to that management agreement, which was capitalized to exploration and evaluation assets as geological services (Note 7). During the year ended September 30, 2020, the Company paid \$22,000 in geological consulting fees to a company controlled by the VPEX which were capitalized to exploration and evaluation assets as geological services (Note 7). As at September 30, 2021, AUD 18,150 (\$16,629) (2020: AUD 18,150 - \$17,324) was owed to a company controlled by the VPEX.

During the year ended September 30, 2020, the Company incurred consulting fees of \$6,733 from a Director of the Company which were capitalized to exploration and evaluation assets as geological services (Note 7). No such fees arose relating to the year ended September 30, 2021.

Beginning October 1, 2020, the aggregate monthly amount awarded to the independent directors of the Company is \$13,000.

At September 30, 2021 \$29,861 (September 30, 2020 - \$205,613) due to directors, officers, and shareholders who hold greater than a 10% interest in the Company was included in accounts payable and accrued liabilities for unpaid services and expenses, including salaries and director fees (\$15,565 (2020 - \$12,589) net of withholdings), which are non-interest bearing and payable on demand (Note 8).

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10. RELATED PARTY TRANSACTIONS (continued)**b) Other Related Party Transactions**

The following transactions with related parties not disclosed elsewhere in the financial statements occurred.

May Private Placement

Directors and officers of the Company purchased an aggregate of 365,000 units (\$116,800) in the May Private Placement (Note 9(b)(i)).

OCP Holdings Ltd. ("OCP")

As at September 30, 2021, OCP holds 23.2% (2020: 25.7%) of the outstanding Common Shares, and shares a common director.

The Company was party to a Strategic Consulting Agreement with OCP dated July 1, 2018 that was amended on September 1, 2019 and terminated on February 29, 2020. As compensation for the services provided, the Company paid a monthly fee of \$5,000 from September 1, 2019 until February 29, 2020. During the year ended September 30, 2021, the Company incurred \$nil (2020 - \$25,000) in consulting fees to OCP. As at September 30, 2021, \$nil (2020 - \$140,000) was owed to OCP in connection with this arrangement.

During the year ended September 30, 2020, OCP participated in a private placement by purchasing 150,000 shares at \$0.22 for total proceeds of \$33,000 (Note 9(b)(v)).

11. SEGMENTED INFORMATION

Reportable segments are those operations whose operating results are reviewed by the chief operating decision maker, being the individual(s) at the Company 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 table below:

	For the year ended	
	September 30, 2021	September 30, 2020
Canada	\$ 1,320,681	\$ 891,573
Australia	605,572	145,814
	\$ 1,926,253	\$ 1,037,387

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11. SEGMENTED INFORMATION (continued)

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

		September 30, 2021		
		Canada	Australia	Total
Current assets	\$	3,409,456	\$ 266,878	\$ 3,676,334
Refundable security deposits		-	323,419	323,419
Exploration and evaluation assets		-	5,986,879	5,986,879
Total assets	\$	3,409,456	\$ 6,577,176	\$ 9,986,632

		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

12. FINANCIAL RISKS AND CAPITAL MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. 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.

Inflection Resources Ltd.

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12. FINANCIAL RISKS AND CAPITAL MANAGEMENT (continued)*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 either higher-interest savings accounts, or short-term Guaranteed Investment Certificates held with major banks 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 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 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.

13. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	September 30, 2021	September 30, 2020
Net loss	\$ (1,926,253)	\$ (1,037,387)
Statutory tax rate	27%	27%
Expected income tax recovery	(520,088)	(280,094)
Permanent differences	42,362	(38,125)
Prior year true up	(11,817)	1,944
Change in unrecognized deferred income tax assets	489,543	316,275
	\$ -	\$ -

The significant components of deferred income tax assets and liabilities as at September 30, 2021 and 2020, after applying enacted income tax rates, are as follows:

	September 30, 2021	September 30, 2020
Net operating loss carry forward	\$ 649,038	\$ 318,194
Share issuance costs	121,662	108,390
Exploration and evaluation assets	164,069	18,642
Unrecognized deferred income tax assets	(934,769)	(445,226)
	\$ -	\$ -

13. INCOME TAXES (continued)

The Company has net operating losses which may be carried forward to apply against future year taxable income, subject to the final determination by taxation authorities, expiring in the following years:

	Non-capital Losses
2037	\$ 693
2038	95,051
2039	401,652
2040	664,039
2041	1,242,409
	\$ 2,403,844

As future taxable profits of the Company are uncertain, no deferred tax asset has been recognized. As at September 30, 2021, the Company has approximately \$2,404,000 in non-capital losses that can be offset against taxable income in future years which begin expiring at various dates commencing in 2037. The potential future tax benefit of these losses has not been recorded as a full-future tax asset valuation allowance has been provided due to the uncertainty regarding the realization of these losses.

14. SUBSEQUENT EVENT

Expiry of warrants and agent options

On January 17, 2022, 993,170 Agent Options expired unexercised. On that same date, 6,995,915 warrants with an exercise price of \$0.40 also expired unexercised. The Agent Options and Warrants that expired were originally issued in connection with the Company's IPO in 2020.