EMPEROR METALS INC.

Financial Statements

For the year ended January 31, 2022

(Expressed in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Emperor Metals Inc.

Opinion

We have audited the financial statements of Emperor Metals Inc. (the "Company"), which comprise the statements of financial position as at January 31, 2022 and 2021, and the statements of loss and comprehensive loss, changes in equity and cash flows for the year ended January 31, 2022, and the period from incorporation on September 22, 2020 to January 31, 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2022, and 2021, and its financial performance and its cash flows for the year ended January 31, 2022 and the period from incorporation on September 22, 2020 to January 31, 2021 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 describes events or conditions that indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

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 David Goertz.

DMCL

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

May 30, 2022

MOORE

An independent firm
associated with Moore
Global Network Limited

EMPEROR METALS INC.
Statements of Financial Position
Expressed in Canadian Dollars

As at		January 31, 2022		January 31, 2021
Assets				
Current				
Cash	**$**	**1,065,957**	$	1,815,557
Prepaids		**35,250**		-
Goods and services tax receivable		**36,537**		2,435
Accounts receivable (Note 4)		**-**		32,250
		1,137,744		1,850,242
Non-current				
Exploration and evaluation assets (Note 5)		**595,577**		387,376
Total assets	**$**	**1,733,321**	$	2,237,618
Liabilities				
Current				
Accounts payable and accrued liabilities (Note 6)	**$**	**65,987**	$	72,563
Deferred flow-through liability (Note 8)		**58,114**		162,500
		124,101		235,063
Equity				
Share capital (Note 7)		**2,271,720**		2,271,720
Reserves (Note 7)		**132,448**		132,448
Deficit		**(794,948)**		(401,613)
		1,609,220		2,002,555
Total liabilities and equity	**$**	**1,733,321**	$	2,237,618

Nature of operations and going concern – Note 1

Approved by the Board of Directors

Director (signed by) *“Alex Horsley”*

Director (signed by) *“Sean Mager”*

The accompanying notes form an integral part of these financial statements.

EMPEROR METALS INC.
Statements of Loss and Comprehensive Loss
Expressed in Canadian Dollars

For the year(*) ended	**January 31, 2022**	**January 31, 2021**
Expenses		
Advertising and promotion	**$ 77,531**	$ -
Consulting fees	**45,000**	99,620
Initial listing	**87,102**	-
Management fees (Note 10)	**118,500**	134,000
Office and administration	**51,172**	2,208
Professional fees	**60,254**	56,694
Project evaluation	**50,784**	-
Regulatory and filing fees	**15,534**	1,096
Share based compensation (Note 7)	**-**	109,000
	$ (505,877)	$ (402,618)
Other income		
Interest income	**8,156**	1,005
Settlement of flow-through liability (Note 8)	**104,386**	-
Net comprehensive loss	**(393,335)**	(401,613)
Basic and diluted loss per common share	**$ (0.01)**	$ (0.03)
Basic and diluted weighted average number of common shares outstanding	**30,656,000**	12,911,061

**The 2021 period referenced above is for the period from incorporation on September 22, 2020 to January 31, 2021.*

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

Expressed in Canadian Dollars

	Share capital	Reserve	Deficit	Total equity
Balance at September 22, 2020	**$ -**	**$ -**	**$ -**	**$ -**
Shares issued for cash	2,205,350	-	-	2,205,350
Share issued for property	360,000	-	-	360,000
Share issuance costs – cash	(107,682)	-	-	(107,682)
Share issuance costs – non-cash	(23,448)	23,448	-	-
Flow-through premium liability	(162,500)	-	-	(162,500)
Share-based compensation	-	109,000	-	109,000
Net loss	-	-	(401,613)	(401,613)
Balance at January 31, 2021	**$ 2,271,720**	**$ 132,448**	**$ (401,613)**	**$ 2,002,555**
Net loss	-	-	(393,335)	(393,335)
Balance at January 31, 2022	**$ 2,271,720**	**$ 132,448**	**$ (794,948)**	**$ 1,609,220**

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

Expressed in Canadian Dollars

For the year(*) ended	January 31, 2022	January 31, 2021
Cash provided by (used in):		
Operating activities		
Net loss for the year(*)	**$ (393,335)**	$ (401,613)
Items not affecting cash:		
Settlement of flow-through liability	**(104,386)**	-
Share-based compensation	**-**	109,000
	(497,721)	(292,613)
Changes in non-cash working capital:		
Goods and services tax receivable	**(34,102)**	(2,435)
Accounts receivable and prepayments	**(3,000)**	(32,250)
Accounts payable and accrued liabilities	**(8,069)**	50,934
Cash used in operating activities	**(542,892)**	(276,364)
Investing activities		
Exploration and evaluation property exploration expenditures (Note 5)	**(206,708)**	(5,747)
Cash used in investing activities	**(206,708)**	(5,747)
Financing activities		
Proceeds form share issuances (Note 7(a))	**-**	2,205,350
Cash share issuance costs	**-**	(107,682)
Cash provided by financing activities	**-**	2,097,668
Net (decrease) increase in cash	**(749,600)**	1,815,557
Cash, beginning of year(*)	**1,815,557**	-
Cash, end of year(*)	**$ 1,065,957**	$ 1,815,557

**The 2021 period referenced above is for the period from incorporation on September 22, 2020 to January 31, 2021.*

As at January 31, 2022, $1,493 (2021 – $nil) of exploration and evaluation property expenditures are included in accounts payable and accrued liabilities.

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

1. Nature of operations and going concern

Emperor Metals Inc. (“Emperor” or the “Company”) was incorporated under the Business Corporations Act (British Columbia) on September 22, 2020 as “Alchemy Resources Corp.” The Company changed their name on October 7, 2020 to “Emperor Metals Inc.”. The Company’s head office is at 250 South Ridge NW, Suite 300, Edmonton, Alberta T6H 4M9. The Company is focused on evaluating, acquiring, and exploring mineral properties in Canada. On July 27, 2021, the common shares of the Company were listed on the Canadian Securities Exchange (the “Exchange” or “CSE”) under the symbol “AUOZ”.

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations. As at January 31, 2022, the Company recorded a net loss of $393,335 and had working capital of $1,013,643 and an accumulated deficit of $794,948. The ability of the Company to continue as a going concern is dependent upon its ability to acquire additional means of financing. Although the Company has been successful in obtaining financing in the past, there can be no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. The Company anticipates that its cash resources will be sufficient to cover its projected funding requirements.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses, and the classifications on the statement of financial position. Such adjustments could be material.

On March 11, 2020, the World Health Organization (“WHO”) declared coronavirus COVID-19 a global pandemic. To combat the spread of COVID-19, governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures will have a significant, negative effect on the economies of all nations for an undeterminable period.

2. Basis of presentation and measurement

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These financial statements were approved by the Board of Directors of the Company on May 30, 2022.

These financial statements are presented in Canadian Dollars, unless otherwise stated. The Canadian dollar is the functional and presentation currency of the Company.

These financial statements have been prepared on historical cost basis, except for financial instruments which are classified as fair value through profit or loss.

3. Significant accounting policies

a) Use of judgement and estimates

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

In particular, judgements, assumptions and estimation uncertainties at January 31, 2022 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year include:

Exploration and evaluation costs

Exploration and evaluation costs have been capitalized on the basis that the Company will commence commercial production in the future, from which time the costs will be amortized in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalized which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalized. In addition, costs are only capitalized that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalized costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Impairment of exploration and evaluation assets

The Company evaluates each asset or cash generating unit every reporting period to determine whether there are any indications of impairment. If any such indication exists, which is often judgmental, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use. The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as market and economic conditions, production budgets and forecasts, and life-of-mine estimates.

When required, the determination of fair value and value in use requires management to make estimates and assumptions about expected production, sales volumes, commodity prices, mineral reserves, operating costs, closure and rehabilitation costs and future capital expenditures. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in profit or loss.

Fair Values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Company uses observable market data, as much as possible. Fair values are classified into different levels in a hierarchy based on the inputs used in the valuation techniques, as follows:

3. Significant accounting policies (continued)

a) Use of judgement and estimates (continued)

Fair Values (continued)

- Level 1: quoted prices (without adjustments) in active markets for identical assets or liabilities.
- Level 2: inputs other than Level 1 quoted prices, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs, for assets or liabilities, that are not based on observable market information (non-observable inputs).

The Company recognizes transfers between levels of the hierarchy of fair value at the end of the reporting period during which the change occurred.

When applicable, additional information on the assumptions used in the fair value calculations are disclosed in the specific notes of the corresponding asset or liability.

b) Financial instruments

(i) Recognition and initial measurement

The Company initially recognizes a financial asset or a financial liability on the date it becomes a party to the contractual provisions of the instrument. Except for accounts receivables that do not contain a significant financing component, a financial asset or financial liability is initially measured at fair value. If a financial asset or financial liability is not subsequently recognized at fair value through profit or loss, the initial measurement includes transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Accounts receivables that do not contain a significant financing component are initially recognized at their transaction price.

(ii) Classification and subsequent measurement – Non-derivative financial assets

On initial recognition, the Company classifies its financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are reclassified subsequently to their initial recognition when, and only when, the Company changes its business model for managing financial assets.

<u>Financial assets measured at amortized cost</u>

The Company classifies accounts receivable and goods and services tax receivable as financial assets measured at amortized cost. A financial asset is subsequently measured at amortized cost using the effective interest method, less impairment losses, if:

a. the asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

3. Significant accounting policies (continued)

b) Financial instruments (continued)

Interest income, foreign exchange gains or losses, and impairment losses are recognized in profit or loss. Upon derecognition, all gains or losses are also recognized in profit or loss.

Financial assets measured at fair value through other comprehensive income

A financial asset is subsequently measured at fair value through other comprehensive income if:

a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

The Company may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. This election is made for each separate investment.

These assets are subsequently measured at fair value. For debt instruments measured at fair value through other comprehensive income, interest calculated using the effective interest method, foreign exchange gains and losses, and impairment gains or losses are recognized in profit or loss. Other gains or losses are recognized in other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss as a reclassification adjustment.

For equity instruments measured at fair value through other comprehensive income, dividends are recognized in profit or loss, unless the dividend represents a recovery of part of the cost of the investment. Gains or losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Financial assets measured at fair value through profit or loss

The Company classifies cash as financial assets measured at fair value through profit or loss. All financial assets not classified as measured at amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. The Company may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

These assets are subsequently measured at fair value, and gains or losses, including interest income or dividend income, are recognized in profit or loss.

(iii) Classification and subsequent measurement – Non-derivative financial liabilities

Financial liabilities are classified as financial liabilities measured at amortized cost or as financial liabilities measured at fair value.

3. Significant accounting policies (continued)

b) Financial instruments (continued)

Financial liabilities measured at amortized cost

The Company currently classifies trade and other payables and deferred flow-through liability as financial liabilities measured at amortized cost. A financial liability is subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains or losses are recognized in profit or loss. Upon derecognition, all gains or losses are also recognized in profit or loss.

Financial liabilities measured at fair value through profit or loss

Financial liabilities are classified as measured at fair value through profit or loss if they are held for trading, are derivative financial liabilities or are designated as such on initial recognition. Financial liabilities at fair value through profit or loss are subsequently measured at fair value, and gains or losses, including interest expense, are recognized in profit or loss.

(iv) Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when the Company transfers contractual rights to receive the cash flows of the financial asset in a transaction where substantially all the risks and rewards of ownership of the financial asset have been transferred or in a transaction where the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but does not retain control of the asset. Any rights and obligations created or retained in the transfer by the Company are recognized as separate assets or liabilities.

Financial Liability

The Company derecognizes a financial liability when the obligation specified in the contract is discharged or cancelled or expires.

The Company also derecognizes a financial liability when there is a substantial modification of the terms of an existing financial liability or a part of it. In this situation, a new financial liability under the new terms is recognized at fair value, and the difference between the carrying amount of the financial liability or a part of the financial liability extinguished and the new financial liability under the new terms is recognized in profit or loss.

(v) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost or fair value through other comprehensive income. The Company uses a matrix to determine the lifetime expected credit losses for trade receivables.

The Company uses historical patterns for the probability of default, the timing of collection and the amount of the incurred credit loss, which is adjusted based on management’s judgment about whether current economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

3. Significant accounting policies (continued)

b) Financial instruments (continued)

The amount of the impairment loss on a financial asset measured at amortized cost is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss, and applied against trade and other receivables through a loss allowance account.

c) Cash and cash equivalents

Cash is comprised of cash on hand and demand deposits. Cash equivalents, restricted cash and deposits are short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in fair value.

d) Exploration and evaluation properties

Exploration and evaluation costs relate to the initial search for a mineral deposit, the cost of acquisition of a mineral property interest or exploration rights and the subsequent evaluation to determine the economic potential of the mineral deposit. The exploration and evaluation stage commences when the Company obtains the legal right or license to begin exploration and subsequently exploration and evaluation expenses are capitalized as exploration and evaluation assets. Costs incurred prior to the Company obtaining the legal rights are expensed. E&E activity includes:

- Researching and analysing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

When the exploration and evaluation of a mineral property indicates that development of the mineral property is technically and commercially feasible, the future economic benefits are probable, and the Company has the intention and sufficient resources to complete the development and use or sell the asset, the related costs are transferred from exploration and evaluation assets to mineral property, plant and equipment.

Management reviews the carrying value of capitalized exploration costs for indicators that the carrying value is impaired at least annually and when facts and circumstances suggest that the carrying amount may exceed the recoverable amount. The review is based on the Company's intentions for further exploration and development of the undeveloped property, results of drilling, commodity prices and other economic and geological factors. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a property does not prove viable, all non-recoverable costs associated with the project, net of any previous impairment provisions, are written off.

e) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its exploration and evaluation assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

3. Significant accounting policies (continued)

e) Impairment of non-financial assets (continued)

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the associated assets are reduced to their recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment charge is reversed through profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of any applicable depreciation, if no impairment loss had been recognized.

f) Income taxes

Income tax expense or recovery comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is recognised 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 recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

3. Significant accounting policies (continued)

f) Income taxes (continued)

- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. 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; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset only if certain criteria are met.

g) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Flow-through shares

The Company issue flow-through common shares to finance its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as recovery from issuance of flow-through shares. Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures.

h) Share-based payments

The grant-date fair value of share-based payments awarded to directors and officers of the Company settled in equity instruments is generally recognized as an expense, with a corresponding increase in equity over the vesting period. The amount recognized as an expense is adjusted to reflect the number of awards for which it is estimated that the service and non-market performance conditions have been satisfied, in that the amount ultimately recognized is based on the actual number of awards that meet the service and non-market performance conditions at the vesting date. For share-based payment awards on shares with other vesting conditions, the measurement of fair value at the vesting date reflects these conditions, and differences between estimate and achievement are not subsequently adjusted.

The fair value of options is determined using the Black-Scholes-Merton valuation model taking into account the features of the plan and market data as at the grant date and on the basis of the Company's management assumptions.

3. Significant accounting policies (continued)

i) Income (loss) per share

Basic income (loss) per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted income (loss) per common share is calculated by adjusting the weighted average number of common shares outstanding for the effect of conversion of all potentially dilutive share equivalents, such as stock options, warrants and other convertible instruments. In the periods when the Company reports a net loss, the effect of potential issuances of shares under share options and other convertible instruments is anti-dilutive. When diluted earnings per share is calculated, only those share options and other convertible instruments with exercise prices below the average trading price of the Company's common shares for the period will be dilutive.

j) New Accounting Standards and Interpretations not yet effective

Accounting Standards that have recently been issued or amended but are not yet effective, have not been early adopted by the Company for the period ended January 31, 2022. The Company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

4. Accounts receivable

Accounts receivable pertains to share subscriptions receivable as at January 31, 2021 (see note 7). The Company received the funds subsequent to the period-end.

5. Exploration and evaluation assets

Hemlo North Property

On December 7, 2020, the Company acquired 100% interest in mining claims in the Hemlo North Property by issuing 600,000 common shares at $0.10 per share. The property is comprised of 12 mining claims, located in Ontario. Certain mining claims are subject to two separate 1.0% Net Smelter Royalties ("NSR").

Pine Grove & Pic River Property

On December 7, 2020, the Company acquired 100% interest in certain mining claims in the Pine Grove and Pic River Properties by issuing 3,000,000 common shares at $0.10 per share. The properties are comprised of 128 mining claims, located in Ontario. These mining claims are subject to a 2.0% NSR.

Expressed in Canadian Dollars

5. Exploration and evaluation assets (continued)

Exploration and evaluation property expenditures

	Hemlo North	Pine Grove	Pic River	Total
Balance, September 22, 2020	**$ -**	**$ -**	**$ -**	**$ -**
Acquisition - shares	60,000	224,414	75,586	360,000
Geological consulting	-	24,579	-	24,579
Travel and support	-	2,797	-	2,797
Balance, January 31, 2021	**$ 60,000**	**$ 251,790**	**$ 75,586**	**$ 387,376**
Assays and drilling	-	8,835	-	8,835
Fieldwork	-	2,630	1,320	3,950
Freight	-	255	-	255
Geological consulting	5,985	108,737	27,594	142,316
Overhead	-	3,096	871	3,967
Rentals	1,215	13,670	5,678	20,563
Travel and support	-	20,924	7,391	28,315
Balance, January 31, 2022	**$ 67,200**	**$ 409,937**	**$ 118,440**	**$ 595,577**

6. Accounts payable and accrued liabilities

	January 31, 2022	**January 31, 2021**
Accounts payable	**$ 43,150**	$ 50,993
Accrued liabilities	**22,837**	21,570
	$ 65,987	$ 72,563

7. Share capital

a) Common shares

The Company’s articles authorize an unlimited number of common shares without par value and an unlimited number of preferred shares. All the common shares have the same rights in respect of the distribution of dividends and the repayment of capital. Each share confers the right to one vote at the annual general meeting.

Expressed in Canadian Dollars

7. Share capital (continued)

a) *Common shares (continued)*

A summary of changes in common share capital in the period is as follows:

	Number of shares	Amount
Balance as at September 22, 2020	**-**	**$ -**
Shares issued for cash	27,056,000	2,205,350
Shares issued for to acquire properties (Note 5)	3,600,000	360,000
Share issuance costs, cash	-	(107,682)
Flow-through premium liability	-	(162,500)
Share issuance costs	-	(23,448)
Balance at January 31, 2021 and 2022	**30,656,000**	**$ 2,271,720**

Escrowed common shares

4,850,000 common shares of the Company are subject to an escrow agreement. Under the agreement, 10% of the shares will be released from escrow on the July 26, 2021 ("Initial Release") and an additional 15% will be released on the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release. As of January 31, 2022, 3,637,500 common shares remained in escrow.

b) Stock options

Pursuant to the Company's stock option plan (the "Plan") for directors, officers, employees, and consultants, the Company may reserve a maximum of 10% of the issued and outstanding listed common shares; the exercise price to be determined on the date of issuance of the options. The options are non-transferable and will expire, if not exercised, 90 days following the date the optionee ceases to be a director, officer, consultant or employee of the Company for reasons other than death, one year after the death of an optionee or on the tenth anniversary of the date the option was granted.

A summary of stock option activity in the period is as follows:

	Number of options	Weighted average exercise price
Outstanding options, September 22, 2020	**-**	**$ -**
Issued	2,725,000	0.10
Outstanding options, January 31, 2021 and 2022	**2,725,000**	**$ 0.10**

Expressed in Canadian Dollars

7. Share capital (continued)

b) Stock options (continued)

A summary of the options outstanding and exercisable is as follows:

		January 31, 2022			January 31, 2021
Exercise Price	Number of options	Remaining contractual life (years)	Exercise Price	Number of options	Remaining contractual life (years)
$ 0.10	**2,725,000**	**3.9**	$ 0.10	2,725,000	4.9
$ 0.10	**2,725,000**	**3.9**	$ 0.10	2,725,000	4.9

On December 30, 2020, the Company granted stock options to acquire 2,725,000 common shares of the Company under the Plan, vesting immediately upon grant. The stock options are exercisable at $0.10 per common share and have an expiry date of December 30, 2025 or earlier in accordance with the terms of the Plan. The estimated fair value of these options of $109,000, or $0.04 per option, has been recorded as share-based compensation expense during the period ended January 31, 2021 and as an increase to option and warrant reserve, and was calculated using the Black-Scholes Option Pricing Model using the following grant-date assumptions: grant date stock price $0.10; expected life, 5 years; expected volatility, 50%; risk-free rate 0.25%; and expected dividends, 0%. The options were issued with an exercise price equal to the value of the Company's common shares on the date of issuance.

c) *Warrants*

A summary of share purchase warrant activity in the period is as follows:

	Number of Warrants	Weighted average exercise price
Outstanding warrants, September 22, 2020	**-**	**$ -**
Issued	781,600	0.10
Outstanding warrants, January 31, 2021 and 2022	**781,600**	**$ 0.10**

A summary of the warrants outstanding and exercisable is as follows:

		January 31, 2022			January 31, 2021
Exercise Price	Number of warrants	Remaining contractual life (years)	Exercise Price	Number of warrants	Remaining contractual life (years)
$ 0.10	**781,600**	**0.9**	$ 0.10	781,600	1.9
$ 0.10	**781,600**	**0.9**	$ 0.10	781,600	1.9

On December 30, 2020, 781,600 warrants were issued to finders pursuant to the non-brokered private placement as compensation for services provided by the finders. The estimated fair value of the finders' warrants of $23,448, or $0.03 per finders' warrant, has been recorded as a decrease to share capital as a cost of share issuance and an increase to option and warrant reserve, and was calculated using the Black Scholes Option Pricing Model with the following

7. Share capital (continued)

c) *Warrants (continued)*

grant-date assumptions: grant date stock price $0.10; expected life, 2 years; expected volatility, 50%; risk free rate, 0.16%; and expected dividends, 0%.

8. Flow-through premium liability

On December 31, 2020, the Company completed a flow-through placement and issued 1,625,000 shares for gross proceeds of $325,000 and recognized a deferred flow-through premium of $162,500. As at January 31, 2022, the Company has incurred approximately $208,000 of eligible exploration expenditures relating to these flow-through shares. As a result, the amount of $104,386 in connection with the settlement of the flow-through liability was recognized in other income.

9. Financial instruments and risk management

The Company is exposed to the following financial risks:

i) Market risk
ii) Credit risk
iii) Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

General objectives, policies and processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the Board and the Company's finance function is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility and to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. Further details regarding these policies are set out below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The purpose of market risk management is to manage and control exposures to market risks, within acceptable parameters, while optimizing return. Market prices are comprised of three types of risk: currency risk, interest rate risk, other price risk.

9. Financial instruments and risk management (continued)

Currency risk

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's share capital as well as the Company's reporting currency is denominated in Canadian Dollars. The Company considers this risk to be minimal.

Interest rate risk

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments. The Company holds no interest-bearing financial liabilities; therefore interest rate risk is limited to potential decreases on the interest rate offered on cash held with its financial institution. The Company considers this risk to be minimal.

Commodity price risk

Commodity price risk is the risk that the value of the Company's mineral resource properties is related to the price of various commodities and the outlook for them. Commodity prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial retail demand, central bank lending, forward sales by producers and speculators, level of worldwide production and short-term changes in supply and demand.

Credit risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash held with banks and financial institutions and accounts and other receivables. The Company considers credit risk with respect to its cash is minimal as cash is mainly held with financial institutions that are financially sound based on their credit rating. The Company exposure to credit risk mainly pertains to goods and services tax receivable of $36,537 (2021 - $2,435).

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company monitors its risk by monitoring the maturity dates of its existing debt and other payables. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

To achieve this objective, the Company regularly monitors working capital positions and updates spending plans as considered necessary. Monthly working capital and expenditure reports are prepared by the Company's finance function and presented to management for review and communication to the Board. As at January 31, 2022, all of the Company's financial liabilities are due within one year.

As at January 31, 2022, the Company had a working capital of $1,013,643 and it does not have any monetary long-term liabilities. The continuing operations of the Company are dependent upon its ability to obtain adequate financing and to commence profitable operations in the future.

Expressed in Canadian Dollars

9. Financial instruments and risk management (continued)

Determination of fair value

The statements of financial position carrying amounts for cash, goods and services tax receivable, and accounts payable and accrued liabilities approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the objective of the Company. In the management of capital, the Company includes its components of shareholders' equity.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital and deficit.

The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, issuing new debt, or acquiring or disposing of assets, and controlling the capital expenditures program. The Company is not subject to externally imposed capital requirements.

The Company does not have a source of revenue. As such, the Company is dependent on external financing to fund its activities. In order to pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

Management reviews its capital management policies on an ongoing basis. The Company is not subject to any externally imposed capital requirements.

10. Related party transactions

Unless otherwise noted, related party transactions were incurred in the normal course of operations and are measured at the amount established and agreed upon by the related parties. The Company incurred and paid fees to directors and officers for management and professional services as follows:

For the year (*) ended	**January 31 2022**	**January 31 2021**
Management fees paid to key management and directors	**$ 118,500**	$ 134,000
Share-based payments	**-**	48,000
	$ 118,500	$ 182,000

During the comparative year, the Company recorded share-based compensation expense of $48,000 in relation to 1,200,000 stock options issued to directors and officers of the Company.

During the year ended January 31, 2022, the Company incurred office and administration expenses of $16,700 (2021 - $nil) to a company controlled by directors and officers of the Company.

Expressed in Canadian Dollars

10. Related party transactions (continued)

At January 31, 2022, there were no amounts payable to related parties. At January 31, 2021, accounts payable and accrued liabilities included $8,400 due to key management, directors of the Company and companies controlled by management or directors for services provided. These amounts are unsecured, non-interest bearing and have no specific terms of repayment.

**The 2021 period referenced above is for the period from incorporation on September 22, 2020 to January 31, 2021.*

11. Income taxes

A reconciliation of income tax at statutory rate is as follows:

For the year(*) ended	**January 31, 2022**	**January 31, 2021**
Loss before income taxes	**$ (393,335)**	$ (401,613)
Statutory income tax rate	**27%**	27%
Computed income tax recovery	**(106,000)**	(108,436)
Permanent differences	**89,000**	29,430
Other	**(36,000)**	(35,405)
Change in unrecognized deferred assets	**53,000**	114,411
Income tax recovery	**$ -**	$ -

Significant components of the Company's deferred tax assets and liabilities are as follows:

	January 31, 2022	**January 31, 2021**
Deferred income tax assets		
Share issuance costs	**$ 27,000**	$ 32,806
Exploration and evaluation assets	**(56,000)**	-
Non-capital loss carry-forwards	**195,000**	81,605
	168,000	114,411
Valuation allowance	**(168,000)**	(114,411)
Deferred income tax assets	**$ -**	$ -

**The 2021 period referenced above is for the period from incorporation on September 22, 2020 to January 31, 2021.*

The Company has non-capital losses of $721,802 (2021 - $302,241) which may be carried forward to reduce taxable income in future years. The non-capital losses expire in 2042 and resource exploration and development pools of $387,376 (2021 - $387,376) which may be carried forward indefinitely.

The conditions required under IFRS, to recognize net potential deferred tax assets based on the establishment of likely recovery through future profitability have not been met. Accordingly, a 100% valuation allowance has been provided.