

# **EMPEROR METALS INC.**

Condensed Interim Financial Statements

For the nine months ended October 31, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited)

To the shareholders of Emperor Metals Inc:

The condensed interim financial statements of Emperor Metals Inc. (the "Company") for the nine months ended October 31, 2022 and 2021 have been compiled by management.

No audit or review of this information has been performed by the Company's auditors.

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

(Unaudited)

As at	October 31, 2022	January 31, 2022
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 599,295	\$ 1,065,957
Accounts receivable	7,875	-
Prepays	-	35,250
Goods and services tax receivable	<u>20,536</u>	<u>36,537</u>
	627,706	1,137,744
<b>Non-current</b>		
Exploration and evaluation assets (Note 3)	<u>926,912</u>	<u>595,577</u>
<b>Total assets</b>	<u>\$ 1,554,618</u>	<u>\$ 1,733,321</u>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 47,251	\$ 65,987
Deferred flow-through liability (Note 5)	<u>27,446</u>	<u>58,114</u>
	<u>74,697</u>	<u>124,101</u>
<b>Equity</b>		
Share capital (Note 4)	2,541,193	2,271,720
Reserves	139,448	132,448
Deficit	<u>(1,200,720)</u>	<u>(794,948)</u>
	<u>1,479,921</u>	<u>1,609,220</u>
<b>Total liabilities and equity</b>	<u>\$ 1,554,618</u>	<u>\$ 1,733,321</u>

Nature of operations and going concern – Note 1

Approved by the Board of Directors

Director (signed by) “Alex Horsley”

Director (signed by) “Sean Maqer”

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

## EMPEROR METALS INC.

## Condensed Interim Statements of Loss and Comprehensive Loss

Expressed in Canadian Dollars

*(Unaudited)*

For the	three months ended October 31		nine months ended October 31	
	2022	2021	2022	2021
<b>Expenses</b>				
Advertising and promotion	29,316	31,280	67,707	36,470
Consulting fees	22,500	22,500	67,500	22,500
General and administration	26,245	14,483	80,078	28,832
Initial listing	-	-	-	87,102
Management fees	31,500	31,500	94,500	87,000
Professional fees	6,738	12,962	39,880	27,962
Project evaluation	45,171	-	71,670	-
Regulatory and filing fees	4,245	3,396	19,978	12,228
	(165,715)	(116,121)	(441,313)	(302,094)
<b>Other income</b>				
Interest income	6,004	1,904	11,873	6,521
Settlement of flow-through liability	24,142	5,749	30,668	80,499
Share based compensation	(7,000)	-	(7,000)	-
<b>Comprehensive loss for the period</b>	<b>\$ (142,569)</b>	<b>\$ (108,468)</b>	<b>\$ (405,772)</b>	<b>\$ (215,074)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
Basic and diluted weighted average number of common shares outstanding	<b>30,809,050</b>	30,656,000	<b>30,702,475</b>	30,656,000

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

## EMPEROR METALS INC.

## Condensed Interim Statements of Changes in Equity

Expressed in Canadian Dollars

*(Unaudited)*

	<b>Share capital</b>	<b>Reserve</b>	<b>Deficit</b>	<b>Total equity</b>
<b>Balance at January 31, 2021</b>	<b>\$ 2,271,720</b>	<b>\$ 132,448</b>	<b>\$ (401,613)</b>	<b>\$ 2,002,555</b>
Net loss	-	-	(215,074)	(215,074)
<b>Balance at October 31, 2021</b>	<b>\$ 2,271,720</b>	<b>\$ 132,448</b>	<b>\$ (616,687)</b>	<b>\$ 1,787,481</b>
Net loss	-	-	(178,261)	(178,261)
<b>Balance at January 31, 2022</b>	<b>\$ 2,271,720</b>	<b>\$ 132,448</b>	<b>\$ (794,948)</b>	<b>\$ 1,609,220</b>
Shares issued for property	270,000	-	-	270,000
Share issuance cost	(527)	-	-	(527)
Options issued	-	7,000	-	7,000
Net loss	-	-	(405,772)	(405,772)
<b>Balance at October 31, 2022</b>	<b>\$ 2,541,193</b>	<b>\$ 139,448</b>	<b>\$ (1,200,720)</b>	<b>\$ 1,479,921</b>

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

EMPEROR METALS INC.  
Condensed Interim Statements of Cash Flows  
Expressed in Canadian Dollars

(Unaudited)

<b>For the nine months ended</b>	<b>October 31, 2022</b>	<b>October 31, 2021</b>
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net loss for the period	\$ (405,772)	\$ (215,074)
Items not affecting cash:		
Settlement of flow-through liability	(30,668)	(80,499)
Share based compensation	7,000	-
	<u>(429,440)</u>	<u>(295,573)</u>
Changes in non-cash working capital:		
Goods and services tax receivable	16,001	(27,191)
Accounts receivable and prepayments	27,375	(36,750)
Accounts payable and accrued liabilities	<u>(18,736)</u>	<u>(61,713)</u>
Cash used in operating activities	<u>(404,800)</u>	<u>(421,227)</u>
<b>Investing activities</b>		
Exploration and evaluation property exploration expenditures (Note 3)	<u>(61,335)</u>	(160,428)
Cash used in investing activities	<u>(61,335)</u>	<u>(160,428)</u>
<b>Financing activities</b>		
Share issuance costs	<u>(527)</u>	-
Cash used in financing activities	<u>(527)</u>	-
<b>Net (decrease) increase in cash</b>	<b>(466,662)</b>	<b>(581,655)</b>
Cash, beginning of period	<u>1,065,957</u>	<u>1,847,807</u>
<b>Cash, end of period</b>	<b>\$ 599,295</b>	<b>\$ 1,266,152</b>

As at October 31, 2022, no exploration and evaluation property expenditures are included in accounts payable and accrued liabilities.

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

## EMPEROR METALS INC.

### Notes to the Financial Statements

For nine months ended October 31, 2022 and 2021

Expressed in Canadian Dollars

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#### 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 October 31, 2022, the Company recorded a net loss of \$405,772 (January 31, 2022 - \$393,335) and had working capital of \$580,455 (January 31, 2022 - \$1,013,643) and an accumulated deficit of \$1,200,720 (January 31, 2022 - \$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.

#### 2. Basis of presentation and measurement

##### a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting and follow the same accounting policies and methods of application as the Company’s most recent annual financial statements for the year ended January 31, 2022. These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the year ended January 31, 2022, 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. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual financial statements.

These condensed interim financial statements were authorized for issue by the Board of Directors of the Company on December 30, 2022.

**b) Use of estimates and critical judgments**

In preparing these condensed interim financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ. Significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those applied in the most recent annual audited financial statements for the year ended January 31, 2022.

**3. 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.

Duquesne West Gold Project

On October 7, 2022, the Company signed an option agreement (the "Option Agreement") with Globex Mining Enterprises Inc. ("Globex") to acquire a 100% interest in the Duquesne West mineral claim package ("Duquesne West Property") from Globex's subsidiary, Duparquet Assets Ltd. ("Duparquet"). The package consists of 38 claims covering approximately 1,389 ha. located in the Duparquet Township of Quebec. The transaction was subject to the acceptance of the Canadian Stock Exchange (the "Exchange") and on Emperor completing a private placement of not less than \$1,500,000 within 150 days of Exchange acceptance of the transaction, which was deemed to be October 20, 2022.

To exercise the Option Agreement with Duparque, Emperor must make payments of cash and common shares of the Company with each installment of common shares being based upon Emperor's volume weighted average price per share trading on the Exchange over a period of twenty (20) trading days prior to the date of payment (the "VWAP") as follows:

- within 3 days of Exchange acceptance, \$50,000 cash and 1,500,000 common shares;
- within 5 days of completed financing, \$450,000 cash;
- on first anniversary, \$500,000 cash and 1,500,000 common shares if VWAP greater than \$0.20, or the number of shares equaling \$300,000 if VWAP less than \$0.20;
- on second anniversary, \$500,000 cash and 1,500,000 common shares if VWAP is greater than \$0.20, or the number of shares equaling \$300,000 if VWAP less than \$0.20;
- on third anniversary, \$1,000,000 cash and 3,000,000 common shares if VWAP greater than \$0.20, or the number of shares equaling \$600,000 if VWAP less than \$0.20;
- on fourth anniversary, \$2,500,000 cash and 3,500,000 common shares if VWAP greater than \$0.20, or the number of shares equaling \$700,000 if VWAP less than \$0.20;
- on fifth anniversary, \$5,000,000 cash and 4,000,000 common shares if VWAP greater than \$0.20, or the number of shares equaling \$800,000 if VWAP less than \$0.20.

The First Anniversary Date is that date, December 21, 2023, that is 15 months following the date of CSE acceptance of the transaction, with each subsequent anniversary date following one year after the last.



EMPEROR METALS INC.

Notes to the Financial Statements

For nine months ended October 31, 2022 and 2021

Expressed in Canadian Dollars

Emperor must also incur minimum annual exploration expenditures on the Duquesne Property as follows:

- \$250,000 by October 31, 2023;
- \$1,000,000 by October 31, 2024;
- \$1,250,000 by October 31, 2025;
- \$1,750,000 by October 31, 2026;
- \$3,250,000 by October 31, 2027;
- \$4,500,000 by October 31, 2028.

Emperor must complete a current mineral resource estimate on the Property (the “Resource Estimate”) by the Fifth Anniversary Date, December 21, 2027. If the Resource Estimate includes at least 1 Moz Au Eq (one million ounces of gold or gold-equivalent) in aggregate that are in the measured, indicated and/or inferred categories in accordance with CIM guidelines, Emperor will pay Duparquet an additional 2,500,000 common shares of the Company.

Exploration and evaluation property expenditures

	Hemlo North	Pine Grove	Pic River	Duquesne West	Total
<b>Balance, January 31, 2021</b>	\$ 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
<b>Balance, January 31, 2022</b>	<b>\$ 67,200</b>	<b>\$ 409,937</b>	<b>\$ 118,440</b>	<b>\$ -</b>	<b>\$ 595,577</b>
Acquisition	-	-	-	270,000	270,000
Assays and drilling	-	-	-	1,020	1,020
Fieldwork	-	-	-	6,235	6,235
Community relations	-	-	772	-	772
Geological consulting	2,879	7,272	4,019	39,138	53,308
<b>Balance, October 31, 2022</b>	<b>\$ 70,079</b>	<b>\$ 417,209</b>	<b>\$ 123,231</b>	<b>\$ 316,393</b>	<b>\$ 926,912</b>

**4. 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.

EMPEROR METALS INC.

Notes to the Financial Statements

For nine months ended October 31, 2022 and 2021

Expressed in Canadian Dollars

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

	Number of shares	Amount
<b>Balance at January 31, 2022</b>	<b>30,656,000</b>	<b>\$ 2,271,720</b>
Shares issued for property (note 3)	1,500,000	270,000
<b>Balance at October 31, 2022</b>	<b>32,156,000</b>	<b>2,541,720</b>

Escrowed common shares

4,850,000 common shares of the Company are subject to an escrow agreement. Under the agreement, 10% of the shares were 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 October 31, 2022, 2,910,000 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
<b>Outstanding options, January 31, 2022</b>	<b>2,725,000</b>	<b>\$ 0.10</b>
Issued	200,000	0.10
Expired	(50,000)	0.10
<b>Outstanding options, October 31, 2022</b>	<b>2,875,000</b>	<b>\$ 0.10</b>

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

Exercise Price	Number of options	October 31, 2022	Exercise Price	Number of options	January 31, 2022
		Remaining contractual life (years)			Remaining contractual life (years)
\$ 0.10	2,675,000	3.2	\$ 0.10	2,725,000	3.9
0.10	200,000	4.9	-	-	-
<b>\$ 0.10</b>	<b>2,875,000</b>	<b>3.3</b>	<b>\$ 0.10</b>	<b>2,725,000</b>	<b>3.9</b>

c) *Warrants*

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

	Number of Warrants	Weighted average exercise price
<b>Outstanding warrants, January 31, 2022 and October 31, 2022</b>	<b>781,600</b>	<b>\$ 0.10</b>

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

Exercise Price	Number of warrants	October 31, 2022	Exercise Price	Number of warrants	January 31, 2022
		Remaining contractual life (years)			Remaining contractual life (years)
\$ 0.10	781,600	0.2	\$ 0.10	781,600	0.9
\$ 0.10	781,600	0.2	\$ 0.10	781,600	0.9

**5. 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 October 31, 2022, the Company has incurred approximately \$13,052 of eligible exploration expenditures relating to these flow-through shares. As a result, the amount of \$30,668 in connection with the settlement of the flow-through liability was recognized in other income. Subsequent to October 31, 2022, the Company incurred all exploration expenditures related to these flow-through shares.

**6. 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.

## EMPEROR METALS INC.

### Notes to the Financial Statements

For nine months ended October 31, 2022 and 2021

Expressed in Canadian Dollars

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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.

#### *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 \$20,536 (January 31, 2022 - \$36,537).

#### 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.

## EMPEROR METALS INC.

### Notes to the Financial Statements

For nine months ended October 31, 2022 and 2021

Expressed in Canadian Dollars

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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 October 31, 2022, all of the Company's financial liabilities are due within one year.

As at October 31, 2022, the Company had a working capital of \$580,455 (January 31, 2022 - \$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.

#### 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.

## 7. 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:

<b>For the nine months ended</b>	<b>October 31, 2022</b>	<b>October 31, 2021</b>
Management fees paid to key management and directors	<u>\$ 94,500</u>	<u>\$ 55,500</u>
	<u>\$ 94,500</u>	<u>\$ 55,500</u>

EMPEROR METALS INC.

Notes to the Financial Statements

For nine months ended October 31, 2022 and 2021

Expressed in Canadian Dollars

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**8. Subsequent events**

Subsequent to the period ended October 31, 2022, the Company completed a private placement. On December 9, 2022, the Company completed the first tranche of its non-brokered private placement financing, consisting of 10,155,728 flow-through shares units at \$0.23 per common share to raise \$2,335,817 in gross proceeds. The Company also paid finders' fees of \$138,907 and issued 603,943 finder's warrants to certain arm's length finders. Each whole agent warrant is exercisable to acquire one additional non-flow through common share at \$0.17 per share until two years from issuance. On December 21, 2022, the Company completed the final tranche of its non-brokered private placement financing, consisting of 5,228,500 Units (the "Units") at a price of \$0.17 per Unit for gross proceeds of up to \$888,845. Each Unit consists of one common share and one-half warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.30 for a period of 24 months from the Closing Date. The Company paid a finders fees of \$53,135 in cash, and issued 24,000 common shares and 226,110 finder's warrants exercisable to acquire one additional common share at \$0.17 per share for a period of 24 months from the date of issue.