

EMPEROR METALS INC.

Condensed Interim Financial Statements

For the six months ended July 31, 2023 and 2022

(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 six months ended July 31, 2023 and 2022 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	July 31, 2023	January 31, 2023
Assets		
Current		
Cash	\$ 2,507,941	\$ 2,824,556
Short-term investment (note 3)	25,000	25,000
Prepays (Note 4)	165,430	95,750
Goods and services tax receivable	<u>74,280</u>	<u>48,143</u>
	2,772,651	2,993,449
Non-current		
Exploration and evaluation assets (Note 5)	<u>2,222,681</u>	<u>1,565,868</u>
Total assets	<u>\$ 4,995,332</u>	<u>\$ 4,559,317</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 211,251	\$ 123,394
Flow-through share premium liability (Note 7)	<u>475,793</u>	<u>495,582</u>
	<u>687,044</u>	<u>618,976</u>
Equity		
Share capital (Note 6)	5,748,153	5,062,324
Reserves	493,563	456,402
Deficit	<u>(1,933,428)</u>	<u>(1,578,385)</u>
	<u>4,308,288</u>	<u>3,940,341</u>
Total liabilities and equity	<u>\$ 4,995,332</u>	<u>\$ 4,559,317</u>

Nature of operations and going concern – Note 1

Approved by the Board of Directors

Director (signed by) “John Florek”

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 July 31		six months ended July 31	
	2023	2022	2023	2022
Expenses				
Advertising and promotion	93,466	11,125	286,655	38,391
Consulting fees	-	22,500	-	45,000
Management fees (Note 9)	54,000	31,500	105,500	63,000
Office and administrative	22,032	27,008	46,547	53,833
Professional fees	64,705	16,429	78,805	33,142
Project evaluation	-	18,888	-	26,499
Regulatory and filing fees	6,951	11,860	10,076	15,733
Share based compensation (Note 6)	7,473	-	32,421	-
	(248,627)	(139,310)	(560,004)	(275,598)
Other				
Interest income	31,583	3,931	62,610	5,869
Settlement of flow-through liability (Note 7)	124,815	810	142,351	6,526
Net comprehensive loss	\$ (92,229)	\$ (134,569)	\$ (355,043)	\$ (263,203)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Basic and diluted weighted average number of common shares outstanding	50,705,657	30,656,000	49,461,324	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)

	Number of shares	Share capital	Option and Warrant reserve	Deficit	Total equity
Balance at January 31, 2022	30,656,000	\$ 2,271,720	\$ 132,448	\$ (794,948)	\$ 1,609,220
Share issuance cost	-	(200)	-	-	(200)
Net loss	-	-	-	(263,203)	(263,203)
Balance at July 31, 2022	30,656,000	\$ 2,271,520	\$ 132,488	\$ (1,058,151)	\$ 1,345,817
Shares issued for private placement	15,384,228	3,224,662	-	-	3,224,662
Shares issued for exploration and evaluation asset	1,500,00	270,000	-	-	270,000
Exercise of warrants	624,800	81,224	(18,744)	-	62,480
Share issuance cost	-	(194,491)	-	-	(194,491)
Share issuance cost – Non-cash	24,000	(82,805)	82,805	-	-
Share based compensation	-	-	259,893	-	259,893
Flow-through share premium liability	-	(507,786)	-	-	(507,786)
Net loss	-	-	-	(520,234)	(520,234)
Balance at January 31, 2023	48,189,028	\$ 5,062,324	\$ 456,402	\$ (1,578,385)	\$ 3,940,341
Shares issued for private placement	6,230,415	828,400	-	-	828,400
Share issuance cost	-	(15,268)	-	-	(15,268)
Share issuance cost – Non-cash	-	(4,740)	4,740	-	-
Share based compensation	-	-	32,421	-	32,421
Flow-through share premium liability	-	(122,563)	-	-	(122,563)
Net loss	-	-	-	(355,043)	(355,043)
Balance at July 31, 2023	54,419,443	\$ 5,748,153	\$ 493,563	\$ (1,933,428)	\$ 4,308,288

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)

For the six months ended	July 31, 2023	July 31, 2022
Cash provided by (used in):		
Operating activities		
Net loss for the period	\$ (355,043)	\$ (263,203)
Items not affecting cash:		
Settlement of flow-through liability	(142,351)	(6,526)
Share based compensation	32,421	-
	<u>(464,973)</u>	<u>(269,729)</u>
Changes in non-cash working capital:		
Goods and services tax receivable	(26,137)	25,811
Prepaid expenses	(69,680)	19,125
Accounts payable and accrued liabilities	(62,062)	(45,893)
	<u>(622,852)</u>	<u>(270,686)</u>
Investing activities		
Exploration and evaluation property exploration expenditures	(506,895)	(13,052)
	<u>(506,895)</u>	<u>(13,052)</u>
Financing activities		
Proceeds from private placement	828,400	-
Share issuance costs	(15,268)	(200)
	<u>813,132</u>	<u>(200)</u>
Net (decrease) increase in cash	(316,615)	(283,938)
Cash, beginning	<u>2,824,556</u>	<u>1,065,957</u>
Cash, ending	\$ 2,507,941	\$ 782,019

As at July 31, 2023, \$149,921 (2022 – \$Nil) of exploration and evaluation property expenditures are included in accounts payable and accrued liabilities.

As at January 31, 2023, 1,500,000 (2022 – Nil) common shares are issued for exploration and evaluation asset.

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

EMPEROR METALS INC.

Notes to the Financial Statements

For the six months ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

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. (T6H 4M9). The Company is focused on evaluating, acquiring, and exploring mineral properties in Canada. The Company is listed on the Canadian Securities Exchange (the "Exchange" or "CSE") under the symbol "AUOZ". On May 24, 2023, the Company reported the secondary listing of its common shares in Germany on the Frankfurt Stock Exchange ("FSE") under the trading symbol "9NH". The Company is also listed in the United States on the OTC Markets ("OTCPK") under the trading symbol "EMAUF".

The Company is engaged in the acquisition, exploration and development of mineral properties. At July 31, 2023, the Company had not yet determined whether its properties contain reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets and related deferred exploration costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production from the exploration and evaluation assets or proceeds from the disposition of the exploration and evaluation asset.

These financial statements have been prepared with the going concern assumption, which assumes that the Company will continue in operation for the foreseeable future and, accordingly will be able to realize its assets and discharge its liabilities in the normal course of operations. At July 31, 2023, the Company had an accumulated deficit of \$1,933,428 and expected to incur further losses, and required additional equity financing to continue developing its business and to meet its obligations. While the Company has been successful at raising additional equity financing in the past, there is no guarantee that it will continue to do so in the future, which results in a material uncertainty that casts significant doubt on the Company's ability to continue as a going concern.

The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements. These adjustments could be material.

2. Basis of presentation and measurement

These interim 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 interim financial statements were approved by the Board of Directors of the Company on September 29, 2023.

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

These interim financial statements have been prepared on historical cost basis, except for financial instruments which are classified as fair value through profit or loss. In addition, the financial statements have been prepared using the same basis of accounting except for cash flow information.

3. Short-term investments

On January 19, 2023, the Company invested \$25,000 in Guaranteed Investment Certificates (GICs) with an interest rate of 4.3% annual, maturing January 19, 2024.

4. Prepaid Expenses

A summary of the Company's prepaid expenses is as follows:

	July 31, 2023	January 31, 2023
Prepays investor relations and marketing	\$ 161,180	\$ 83,000
Prepays insurance	4,250	12,750
	\$ 165,430	\$ 95,750

5. Exploration and evaluation assets

A summary of the Company's exploration and evaluation assets is as follows:

Six months ended July 31, 2023	Hemlo North	Pine Grove	Pic River	Duquesne West	Total
Acquisition costs					
Balance, January 31, 2023	\$60,000	\$224,414	\$75,586	\$789,459	\$1,149,459
Balance, July 31, 2023	-	-	-	-	-
Deferred exploration expenditures					
Balance, January 31, 2023	10,079	194,588	47,645	164,097	416,409
Geologist fees and assays	-	-	-	334,279	334,279
Other exploration expenses	-	-	-	322,534	322,534
Balance, July 31, 2023	10,079	194,588	47,645	820,910	1,073,222
Total E&E assets, July 31, 2023	\$70,079	\$419,002	\$123,231	\$1,610,369	\$2,222,681

Year ended January 31, 2023	Hemlo North	Pine Grove	Pic River	Duquesne West	Total
Acquisition costs					
Balance, January 31, 2022	\$60,000	\$224,414	\$75,586	\$ -	\$360,000
Cash	-	-	-	519,459	519,459
Shares issued	-	-	-	270,000	270,000
Balance, January 31, 2023	60,000	224,414	75,586	789,459	1,149,459
Deferred exploration expenditures					
Balance, January 31, 2022	7,200	185,523	42,854	-	235,577
Geologist fees and assays	2,879	9,065	4,019	138,691	154,654
Other exploration expenses	-	-	772	25,406	26,178
Balance, January 31, 2023	10,079	194,588	47,645	164,097	416,409
Total E&E assets, January 31, 2023	\$70,079	\$419,002	\$123,231	\$953,556	\$1,565,868

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Notes to the Financial Statements

For the six months ended July 31, 2023 and 2022

(Expressed in Canadian Dollars)

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% Net Smelter Royalties ("NSR").

Pine Grove and 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% NSR.

Duquesne West Gold Project

On October 20, 2022, the Company closed 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"), comprising of 38 claims located in the Duparquet Township of Quebec.

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

- within 3 days of Exchange acceptance on October 24, 2022, \$50,000 cash was paid and 1,500,000 common shares issued at a fair value of \$0.18 per common share;
- within 5 days of completed financing on December 23, 2022, \$450,000 cash was paid;
- 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 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.

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Emperor must complete a current mineral resource estimate on the Property (the "Resource Estimate") by 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.

During the option period Emperor must maintain at minimum, all taxes, assessments, rentals, renewals levies and other payments required to be made to any Government Authority to keep the property in good standing. If Emperor chooses to terminate the option it must ensure that required payments are made to ensure the property is in good standing with Government Authority for two years.

During the six months ended July 31, 2023, the Company has already met the minimum requirement of spending \$250,000 in annual exploration expenditures on the Duquesne Property for 2023.

6. Share capital

a) Common shares

Authorized

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.

Issued Share Capital

As at July 31, 2023, 54,419,443 common shares were issued and outstanding (January 31, 2023 – 48,189,028).

Share issuance

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 (the "FT Shares") at a price of \$0.23 per FT Share for gross proceeds of \$2,335,817. The Company recorded a flow-through share premium liability of \$507,786 in connection with this financing. The Company paid finders fees of \$138,907 and issued 603,943 finders' warrants, each exercisable to acquire one non-flow-through common share at \$0.17 per share for a period of 24 months from the date of issue. The \$60,335 fair value of the finders' warrants were determined using the Black Scholes Option Pricing Model. All securities issued are subject to a hold period of four-months and a day from the FT Shares Closing Date.

On December 21, 2022 ("the Unit Closing Date"), the Company completed the final tranche of its non-brokered private placement financing, consisting of 5,228,500 Units at a price of \$0.17 per Unit for gross proceeds of up to \$888,845, with each Unit consisting of one common share and one-half warrant (the "Units"). 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. The Company paid finders fees of \$55,784 in cash and issued 24,000 common shares of the Company and 226,110 finders' warrants exercisable to acquire one common share at \$0.17 per share for a period of 24 months from the date of issue. The \$22,470 fair value of the finders' warrants were determined using the Black Scholes Option Pricing Model. All securities issued are subject to a hold period of four-month and a day from the Unit Closing Date.

On June 22, 2023, the Company completed the first tranche of its non-brokered private placement financing, consisting of 1,875,000 flow-through shares units at \$0.16 per common share and 3,619,998 non-flow-through shares units at \$0.12 per common share to raise \$734,400 in gross proceeds. Each non-flow through shares Unit consists of one common share and one-half warrant. Each whole warrant entitles the holder to purchase one additional common

EMPEROR METALS INC.

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share of the Company at an exercise price of \$0.20 for a period of 24 months from the Closing Date. The Company also paid finders' fees of \$1,800 and issued 75,000 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 \$0.20 per share until two years from issuance. All securities issued are subject to a hold period until October 23, 2023.

On July 11, 2023, the Company completed the final tranche of its non-brokered private placement financing, consisting of 143,750 flow-through shares units at \$0.16 per common share and 591,667 non-flow-through shares units at \$0.12 per common share to raise \$94,000 in gross proceeds. Each non-flow through shares 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 \$0.20 for a period of 24 months from the Closing Date. The Company also paid finders' fees of \$840 and issued 6,000 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 \$0.20 per share until two years from issuance. All securities issued are subject to a hold period until November 12, 2023.

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 July 31, 2023, 1,455,000 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
Outstanding options, January 31, 2023	4,675,000	\$ 0.13
Issued	100,000	0.17
Outstanding options, July 31, 2023	4,775,000	\$ 0.13

A summary of the options outstanding and exercisable at July 31, 2023 is as follows:

Date of expiry	Number of options	Weighted average exercise price	Remaining contractual life (years)	
December 30, 2025	2,675,000	\$ 0.10	2.4	
December 9, 2027	400,000	0.18	4.4	i
January 19, 2028	1,600,000	0.17	4.5	ii
February 2, 2028	100,000	0.17	4.5	iii
	4,775,000	\$ 0.13	3.3	

EMPEROR METALS INC.

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On September 15, 2022, the Company granted stock options to acquire 200,000 common shares of the Company, which shall be exercisable as fully Vested 3 months from the Grant Date, in accordance with the terms of the Plan. The stock options are exercisable at \$0.10 per common share and have an expiry date of September 15, 2027 or earlier in accordance with the terms of the Plan. The fair value of these options of \$11,268 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, 64%; risk-free rate 3.43%; 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. Due to the resignation of Optionee within first three months of issuance, the options were cancelled.

- i. On December 9, 2022, the Company granted stock options to acquire 400,000 common shares of the Company, which shall vest and be exercisable as to 200,000 shares being fully vested on December 16, 2022, and the balance of 200,000 shares on June 16, 2023, in accordance with the terms of the Plan. The stock options are exercisable at \$0.18 per common share and have an expiry date of December 9, 2027 or earlier in accordance with the terms of the Plan. The fair value of these options of \$62,322 was calculated using the Black-Scholes Option Pricing Model using the following grant-date assumptions: grant date stock price \$0.18; expected life, 5 years; expected volatility, 130%; risk-free rate 3.07%; 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. \$39,900 was recognized as expense during year ended April 30, 2023 and \$22,422 was recognized as expense during six months ended July 31, 2023.
- ii. On January 19, 2023, the Company granted stock options to acquire 1,600,000 common shares of the Company under the Plan, vesting immediately upon grant. The stock options are exercisable at \$0.17 per common share and have an expiry date of January 19, 2028 or earlier in accordance with the terms of the Plan. The fair value of these options of \$219,992 was calculated using the Black-Scholes Option Pricing Model using the following grant-date assumptions: grant date stock price \$0.16; expected life, 5 years; expected volatility, 130%; risk-free rate 2.82%; and expected dividends,
- iii. On February 2, 2023, the Company granted stock options to acquire 100,000 common shares of the Company under the Plan, vesting immediately upon grant. The stock options are exercisable at \$0.17 per common share and have an expiry date of February 2, 2028 or earlier in accordance with the terms of the Plan. The fair value of these options of \$10,000 was calculated using the Black-Scholes Option Pricing Model using the following grant-date assumptions: grant date stock price \$0.13; expected life, 5 years; expected volatility, 125%; risk-free rate 2.92%; and expected dividends,

The fair value of the options granted was estimated using the Black-Scholes option pricing model, using the following weighted average assumptions:

Risk-free interest rate	2.82% - 3.07%
Expected life (years)	5
Expected volatility	64% - 130%
Expected rate of forfeiture	nil
Expected dividend yield	nil
Share price	\$0.10 - \$0.18

Volatility is based on the historical trading activity of the Company's shares.

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c) *Warrants*

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

	Number of Warrants	Weighted average exercise price
Outstanding warrants, January 31, 2023	3,444,303	\$ 0.27
Issued	2,186,831	0.20
Outstanding warrants, July 31, 2023	5,631,134	\$ 0.24

A summary of the warrants outstanding and exercisable at July 31, 2023 is as follows:

Date of expiry	Number of warrants	Weighted average exercise price	Remaining contractual life (years)	
December 21, 2024	2,614,250	\$ 0.30	1.4	
December 9, 2024	603,943	0.17	1.4	i
December 21, 2024	226,110	0.17	1.4	ii
June 22, 2025	1,809,999	0.20	1.9	
July 11, 2025	295,832	0.20	2.0	
June 22, 2025	75,000	0.20	1.9	iii
July 11, 2025	6,000	0.20	2.0	iv
	5,631,134	\$ 0.24	1.6	

- i. On December 9, 2022, 603,943 warrants were issued to finders pursuant to the non-brokered private placement as compensation for services provided by the finders. The fair value of the finders' warrants of \$60,335 was calculated using the Black Scholes Option Pricing Model with the following grant-date assumptions: grant date stock price \$0.18; expected life, 2 years; expected volatility, 101%; risk free rate, 3.85%; and expected dividends, 0%.
- ii. On December 21, 2022, 226,110 warrants were issued to finders pursuant to the non-brokered private placement as compensation for services provided by the finders. The fair value of the finders' warrants of \$22,470 was calculated using the Black Scholes Option Pricing Model with the following grant-date assumptions: grant date stock price \$0.18; expected life, 2 years; expected volatility, 100%; risk free rate, 3.72%; and expected dividends, 0%.
- iii. On June 22, 2023, 75,000 warrants were issued to finders pursuant to the non-brokered private placement as compensation for services provided by the finders. The fair value of the finders' warrants of \$4,500 was calculated using the Black Scholes Option Pricing Model with the following grant-date assumptions: grant date stock price \$0.11; expected life, 2 years; expected volatility, 125%; risk free rate, 4.74%; and expected dividends, 0%.
- iv. On July 11, 2023, 6,000 warrants were issued to finders pursuant to the non-brokered private placement as compensation for services provided by the finders. The fair value of the finders' warrants of \$240 was calculated using the Black Scholes Option Pricing Model with the following grant-date assumptions: grant date stock price \$0.09; expected life, 2 years; expected volatility, 125%; risk free rate, 4.80%; and expected dividends, 0%.

7. Flow-through premium liability

A summary of the Company's flow through premium liability is as follows:

Flow-through premium liability, January 31, 2022	\$ 58,114
Additions	507,786
Settlement	<u>(70,318)</u>
Flow-through premium liability, January 31, 2023	\$ 495,582
Additions	122,562
Settlement	<u>(142,351)</u>
Flow-through premium liability, July 31, 2023	<u>\$ 475,793</u>

On December 9, 2022, the Company completed a flow-through placement and issued 10,155,728 shares for gross proceeds of \$2,335,817 and recognized a flow-through share premium liability of \$507,786. As at July 31, 2023, the Company had incurred approximately \$710,957 of eligible exploration expenditures relating to these flow-through shares. As a result, the amount of \$142,351 (January 31, 2023 - \$70,318) in connection with the settlement of the flow-through liability was recognized in other income. As at July 31, 2023, the remaining flow-through spending obligation is \$1,624,860 before December 31, 2023.

On June 22, 2023, the Company completed a flow-through placement and issued 1,875,000 shares for gross proceeds of \$300,000 and recognized a flow-through share premium liability of \$112,500. As at July 31, 2023, the Company has not incurred any eligible exploration expenditures relating to these flow-through shares and therefore, flow-through spending obligation remains unchanged at \$300,000 before December 31, 2024.

On July 11, 2023, the Company completed a flow-through placement and issued 143,750 shares for gross proceeds of \$23,000 and recognized a flow-through share premium liability of \$10,062. As at July 31, 2023, the Company has not incurred any eligible exploration expenditures relating to these flow-through shares and therefore, flow-through spending obligation remains unchanged at \$23,000 before December 31, 2024.

8. 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 the six months ended July 31, 2023 and 2022

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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.

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 July 31, 2023, all of the Company's financial liabilities are due within one year.

EMPEROR METALS INC.

Notes to the Financial Statements

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(Expressed in Canadian Dollars)

As at July 31, 2023, the Company had a working capital of \$2,085,607 (January 31, 2023 - \$2,374,473) 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. At July 31, 2023, \$1,947,860 of the working capital represents the remaining flow-through spending obligation.

Determination of fair value

The statements of financial position carrying amounts for cash, goods and services tax receivable, accounts payable and accrued liabilities, and flow-through share premium liability 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 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 externally imposed capital requirements. There were no changes to the Company's approach to capital management during the year.

9. Related party transactions

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company or its subsidiaries, directly or indirectly. Key management personnel include the Company's directors and executive officers. A summary of the Company's related party transactions with directors and officers, or with companies associated with these individuals as follows:

For the six months ended	July 31, 2023	July 31, 2022
Management fees paid to key management and directors	\$ 105,500	\$ 63,000
Capitalized consulting fees paid to key management	47,500	-
Investor relations fees paid to a director	30,000	-
Rent paid to a corporation controlled by officers and directors	20,100	-
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	\$ 203,100	\$ 63,000