Traction Exploration Inc.

Condensed Interim Financial Statements
For the Nine Months Ended June 30, 2021
(Expressed in Canadian Dollars)
(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying condensed interim financial statements of Traction Exploration Inc. have been prepared by and are the responsibility of the Company's management. The Company's independent auditors have not performed a review or audit of these interim financial statements.

TRACTION EXPLORATION INC.
Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

		June 30, 2021		September 30, 2020
Assets				
Current				
Cash	$	375,043	$	201,306
Receivables		4,722		652
Prepaid expenses (note 4)		56,362		40,000
	$	436,127	$	241,958
Liabilities and Shareholders' Equity				
Liabilities				
Current				
Accounts payable and accrued liabilities (note 7)	$	23,650	$	14,509
Shareholders' Equity				
Share Capital (note 6)		403,443		206,589
Warrant Reserves (note 6)		213,225		-
Subscriptions Received (note 6)		-		30,000
Deficit		(204,191)		(9,140)
		412,477		227,449
Total Liabilities and Shareholders' Equity	$	436,127	$	241,958

Approved on behalf of the Board:

"Michael Malana" (signed)	*"David Bowen" (signed)*
Director	Director

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

TRACTION EXPLORATION INC.
Condensed Interim Statement of Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

		Three Months Ended June 30, 2021		Nine Months Ended June30, 2021
Operating expenses				
Accounting and audit fees	$	2,580	$	15,080
Consulting fees		-		44,272
Exploration and evaluation costs (note 5)		-		83,363
Interest and bank charges		224		480
Legal fees		10,099		22,583
Management fees (note 7)		3,000		9,000
Office service and supplies		-		125
Transfer agent and filing fees		19,098		20,148
Net loss and comprehensive loss for the period	$	(35,001)	$	(195,051)
Basic and diluted loss per share	$	(0.00)	$	(0.01)
Weighted average number of common shares outstanding		16,300,000		15,520,588

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

TRACTION EXPLORATION INC.
Condensed Interim Statements of Changes in Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Common Shares Number	Common Shares Amount $	Warrant Reserves $	Subscriptions Received $	Deficit $	Total Shareholders' Equity $
Balance, July 20, 2020 (date of incorporation)	1,000,000	5,000	-	-	-	5,000
Founders shares	1,300,000	6,500	-	-	-	6,500
Private placement – flow-through shares	3,500,000	70,000	-	-	-	70,000
Private placement	6,500,000	130,000	-	-	-	130,000
Share issuance costs	-	(4,911)	-	-	-	(4,911)
Subscriptions received	-	-	-	30,000	-	30,000
Net loss for period	-	-	-	-	(9,140)	(9,140)
Balance, September 30, 2020	12,300,000	206,589	-	30,000	(9,140)	227,449
Private placement	4,000,000	200,000	-	(30,000)	-	170,000
Share issuance costs	-	(3,146)	-	-	-	(3,146)
Subscriptions received	-	-	-	15,200	-	15,200
Net loss for period	-	-	-	-	(142,070)	(142,070)
Balance, December 31, 2020	16,300,000	403,443	-	15,200	(151,210)	267,433
Private placement – special warrants	-	-	216,000	(15,200)	-	200,800
Share issuance costs	-	-	(2,775)	-	-	(2,775)
Net loss for period	-	-	-	-	(17,980)	(17,980)
Balance, March 31, 2021	16,300,000	403,443	213,225	-	(169,190)	447,478
Net loss for period	-	-	-	-	(35,001)	(35,001)
Balance, June 30, 2021	16,300,000	403,443	213,225	-	(204,191)	412,477

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

TRACTION EXPLORATION INC.
Condensed Interim Statement of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

		Three Months Ended June 30, 2021		Nine Months Ended June 30, 2021
Cash Provided by (Used In)				
Operating Activities				
Net loss for the period	$	(35,001)	$	(195,051)
Change in working capital balances:				
Receivables		3,756		(4,070)
Prepaid expenses		(36,254)		(16,362)
Accounts payable and accrued liabilities		2,665		9,141
Cash Used in Operating Activities		(64,834)		(206,342)
Financing Activities				
Proceeds on issuance of common shares		-		216,000
Proceeds on issuance of special warrants		-		170,000
Share issuance costs		-		(5,921)
Cash Provided by Financing Activities		-		380,079
Inflow of Cash		(64,834)		173,737
Cash, Beginning of Period		439,877		201,306
Cash, End of Period	$	375,043	$	375,043

There were no cash flows from investing activities in the three and nine-month periods ended June 30, 2021.

1. NATURE OF OPERATIONS AND GOING CONCERN

Traction Exploration Inc. (the "Company") was incorporated under the *BC Business Corporations Act* on July 20, 2020. The principal business of the Company is the acquisition, exploration and evaluation of resource properties. The Company's registered and records office address is 6th Floor, 905 West Pender Street, Vancouver, BC, V6C 1L6. Its principal place of business is 915 – 700 West Pender Street, Vancouver, BC, V6C 1G8.

These condensed interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. During the nine-month period ended June 30, 2021, the Company incurred a net loss of $195,051, and at present, the Company has no current operating income. Without additional financing, the Company may not be able to fund its ongoing operations and complete development activities. The Company intends to finance its future requirements through a combination of debt and/or equity issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. These uncertainties may cast significant doubt on the Company's ability to continue as a going concern. The Company will need to raise sufficient working capital to maintain operations. These condensed interim financial statements do not include any adjustments related to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

At the time these condensed interim financial statements were prepared, the COVID-19 pandemic has caused significant disruptions to the global economy and increased volatility in the global financial markets. The extent to which COVID-19 may adversely impact the Company's business and financing opportunities will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada, and other countries, to contain and treat the disease. Although it is not possible to reliably estimate the length or severity of these developments and their financial impact at the date of approval of these condensed interim financial statements, there may be further adverse impact on the Company's financial position and results of operations for future periods if the pandemic is not successfully contained or the effects of which are not mitigated.

On April 9, 2021, the Company filed its preliminary prospectus with the Canadian Securities Exchange.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These unaudited condensed interim financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These condensed interim financial statements do not include all of the information required for full annual financial statements. These condensed interim financial statements should be read in conjunction with the audited financial statements for the 72-day period ended September 30, 2020 which have been prepared in accordance with IFRS as issued by the IASB.

In preparing these condensed interim financial statements, the significant accounting policies and the significant judgments made by management in applying the Company's significant accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company's audited financial statements for the 72-day period ended September 30, 2020.

2. BASIS OF PRESENTATION (Continued)

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

(b) Basis of presentation

These condensed interim financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Approval of the financial statements

These financial statements were authorized for issue by the Audit Committee and Board of Directors on August 27, 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

In preparing these condensed interim financial statements, the significant accounting policies and the significant judgments made by management in applying the Company's significant accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company's audited financial statements for the year ended September 30, 2020.

(a) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may vary from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

Significant areas requiring the use of management's judgments include:

Going concern

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties exist related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Use of estimates and judgments (Continued)

Recoverability of mineral properties

The application of the Company's accounting policy for mineral properties requires judgement in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in profit or loss in the period the new information becomes available.

Mining exploration tax credits and flow-through expenditures

The Company is eligible for refundable tax credits on qualified resource expenditures incurred in the province of British Columbia. Management's judgment is applied in determining whether the resource expenditures are eligible for claiming such credits.

The Company is also required to spend proceeds received from the issuance of flow-through shares on qualifying resources expenditures.

Differences in judgment between management and regulatory authorities with respect to qualified expenditures may result in disallowed expenditures by the tax authorities. Any amount disallowed may result in the Company's required expenditures not being fulfilled.

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include:

- the determination of asset retirement and environmental obligations; and
- the utilization of deferred income tax assets.

While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of financial performance and cash flows.

4. PREPAID EXPENSES

The Company's prepaid expenses include expense advances to consultants and costs incurred for preliminary prospectus filing fees and for exploration and evaluation costs. As at March 31, 2021, the Company has $4,722 (September 30, 2020 - $40,000) in prepaid expenses.

5. MINERAL PROPERTY

In August 2020, the Company entered into an option agreement with Afzaal Ahmed Pirzad to acquire 100% interest in the Whitewater Property by paying consideration of $80,000 in cash and agreeing to incur at least $515,000 in expenditures on the Whitewater Property. This consideration will be paid as follows:

- Within three months of the agreement, the Company must incur expenditures of $75,000 (met);
- On or before the first anniversary of the date upon which the Company's shares are listed for trading on any stock exchange in Canada (the "Listing Date"), the Company must incur additional expenditures of $110,000;
- On or before the second anniversary of the Listing Date, the Company will pay $30,000 in cash and incur additional expenditures of $130,000; and
- On or before the third anniversary of the Listing Date, the Company will pay $50,000 in cash and incur additional expenditures of $200,000.

For the nine months ended June 30, 2021, the Company has incurred $83,363 of exploration and evaluation costs on the property.

6. SHAREHOLDERS' EQUITY

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and outstanding

Initial period ended September 30, 2020

(i) On July 20, 2020, the Company issued 1,000,000 common shares at a price of $0.005 in connection with the incorporation of the Company.

(ii) On August 10, 2020, the Company completed a non-brokered private placement financing raising aggregate gross proceeds of $6,500 by the issuance of 1,300,000 common shares at $0.005 per share to founders of the Company.

(iii) On September 16, 2020, the Company completed a non-brokered private placement financing raising aggregate gross proceeds of $70,000 by the issuance of 3,500,000 flow-through shares at $0.02 per share. The flow-through shares were issued at market price and a value of $Nil was recorded as a flow-through share premium.

(iv) On September 16, 2020, the Company completed a non-brokered private placement financing raising aggregate gross proceeds of $130,000 by the issuance of 6,500,000 common shares at $0.02 per share.

In connection with the private placements above, the Company incurred $4,911 in share issuance costs.

(Expressed in Canadian Dollars)

6. SHAREHOLDERS' EQUITY (Continued)

(b) Issued and outstanding

Period ended March 31, 2021

(v) On November 23, 2020, the Company completed a non-brokered private placement financing raising aggregate gross proceeds of $200,000 by the issuance of 4,000,000 units at $0.05 per unit. Each unit comprises one common share and one whole share purchase warrant. Each warrant will be exercisable for a period of three years at an exercise price of $0.10. The fair value of the warrants was determined to be $Nil. The Company received $30,000 in subscription funds related to this private placement prior to September 30, 2020.

In connection with the private placement above, the Company incurred $3,146 in share issuance costs.

(c) Warrants

The following is a summary of the Company's warrant activities:

	Number of Warrants		Weighted Average Exercise Price
Outstanding at September 30, 2020	-	$	-
Issued	4,000,000		0.10
Outstanding at June 30, 2021	4,000,000	$	0.10

The warrants outstanding as at June 30, 2021 are as follows:

Exercise Price	Expiration Date	Number of Warrants
$0.10	November 23, 2023	4,000,000
		4,000,000

(d) Special Warrants

On February 22, 2021, the Company completed the first tranche of a non-brokered private placement financing raising aggregate gross proceeds of $216,000 by the issuance of 2,160,000 special warrants at $0.10 per special warrant from a total of $517,000 by a total issuance of 5,710,000 special warrants. Each special warrant is convertible into one unit of the Company at any time for no additional consideration. Each unit comprises one common share and one whole share purchase warrant. Each warrant will be exercisable for a period of two years from the date the Company's common shares commence trading on the Canadian Securities Exchange, at an exercise price of $0.20. The Company received $15,200 in subscription funds related to this private placement prior to December 31, 2020.

In connection with the issuance of special warrants, the Company incurred $2,775 in issuance costs.

7. RELATED PARTY TRANSACTIONS

Key management personnel include persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers.

During the nine months ended June 30, 2021, the Company paid $9,000 in management fees to the Chief Financial Officer of the Company. As at June 30, 2021, $1,050 owed to the Chief Financial Officer is included in accounts payable and accrued liabilities (September 30, 2020 - $2,100).

8. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant credit, liquidity or market risk arising from these financial instruments.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk for the Company is associated with its cash. The Company is not exposed to significant credit risk as its cash is placed with a major Canadian financial institution.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. As at June 30, 2021, the Company has cash of $375,043 (September 30, 2020 - $201,306) available to apply against short-term business requirements and current liabilities of $23,650 (September 30, 2020 - $14,509). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of June 30, 2021. The Company relies upon equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk. The Company is not exposed to significant market risk.

9. CAPITAL MANAGEMENT

The Company has just commenced operations. It has not yet determined whether it will be successful in its endeavours and does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of common shares. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

9. CAPITAL MANAGEMENT (Continued)

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern.

The Company defines its capital as shareholders' equity. Capital requirements are driven by the Company's general operations. To effectively manage the Company's capital requirements, the Company monitors expenses and overhead to ensure costs and commitments are being paid. The Company did not change its approach to capital management during the period ended June 30, 2021.

10. SEGMENTED INFORMATION

The Company operates in one business segment being the exploration and development of resource properties. All assets of the Company are located in Canada.

11. COMMITMENTS

As at September 30, 2020, the Company was committed to expend $70,000 of flow-through share proceeds related to flow-through shares issued during the period on qualifying exploration expenditures. The Company must incur the eligible expenditures within 24 months from issuing the flow-through shares. The expenditures must be incurred by September 16, 2022. As at June 30, 2021 the Company has met the expenditure requirement.

12. EVENTS AFTER THE REPORTING DATE

On August 10, 2021, the Company filed its amended and restated preliminary prospectus with the Canadian Securities Exchange.

On July 8, 2021, the Company completed the second tranche of a non-brokered private placement financing raising aggregate gross proceeds of $355,000 by the issuance of 3,550,000 special warrants at $0.10 per special warrant from a total of $517,000 by a total issuance of 5,710,000 special warrants. Each special warrant is convertible into one unit of the Company at any time for no additional consideration. Each unit comprises one common share and one whole share purchase warrant. Each warrant will be exercisable for a period of two years from the date the Company's common shares commence trading on the Canadian Securities Exchange, at an exercise price of $0.20.