

**TRACTION URANIUM CORP.**

*(Formerly Traction Exploration Inc.)*

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED**

**June 30, 2022 and 2021**

**(Unaudited)**

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**NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of Traction Uranium Corp. have been prepared by and are the responsibility of management. These condensed consolidated interim financial statements for the three and nine months ended June 30, 2022, have not been reviewed or audited by the Company's independent auditors. All amounts are stated in Canadian Dollars unless otherwise stated.

**Traction Uranium Corp.**  
**Condensed Interim Statements of Financial Position**

As at June 30, 2022 and September 30, 2021

In Canadian Dollars, unless noted (unaudited)

As at	Notes	June 30, 2022	September 30, 2021
		\$	\$
<b>ASSETS</b>			
Cash		1,936,384	677,874
Restricted cash	4	10,000	-
Accounts receivable		41,971	5,223
Prepaid expenses	5	457,427	-
<b>TOTAL CURRENT ASSETS</b>		<b>2,445,782</b>	<b>683,097</b>
Exploration and evaluation assets	6	6,102,726	-
<b>TOTAL ASSETS</b>		<b>8,548,508</b>	<b>683,097</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities		24,102	70,420
<b>TOTAL LIABILITIES</b>		<b>24,102</b>	<b>70,420</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	12,770,888	856,268
Reserves	7	4,818,397	120,000
Deficit		(9,064,879)	(363,591)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>8,524,406</b>	<b>612,677</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>8,548,508</b>	<b>683,097</b>

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

*Going concern (Note 2) and Subsequent events (Note 9)*

Approved on behalf of the Board of Directors:

"Blair Way" (signed), Director

"Lester Esteban" (signed), Director

# Traction Uranium Corp.

## Condensed Interim Statements of Net and Comprehensive Loss

For the Three and Nine Months Ended June 30, 2022

In Canadian Dollars, unless noted (unaudited)

For the Three and Nine Months Ended June 30,	Three Months Ended		Nine Months Ended	
	2022	2021	2022	2021
	\$	\$	\$	\$
<b>EXPENSES</b>				
Advertising and marketing fees	856,096	-	2,811,828	-
Consulting fees	89,064	3,000	198,583	53,272
Exploration and evaluation expense	2,199,785	-	2,199,785	83,363
Filing fees	17,317	19,098	74,381	20,148
Office and miscellaneous	12,076	224	24,006	480
Professional fees	26,525	12,679	77,673	37,788
Share-based compensation	1,461,320	-	3,298,970	-
Travel	13,042	-	16,062	-
<b>NET AND COMPREHENSIVE LOSS</b>	<b>(4,675,225)</b>	<b>(35,001)</b>	<b>(8,701,288)</b>	<b>(195,051)</b>
Loss per share, basic and diluted	(0.10)	(0.00)	(0.22)	(0.01)
Weighted average number of common shares outstanding – Basic and diluted	49,110,435	16,300,000	40,220,330	15,520,588

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

## Traction Uranium Corp.

### Condensed Interim Statements of Changes in Shareholders' Equity

As at June 30, 2022 and 2021

In Canadian Dollars, unless noted (unaudited)

	Common Shares	Share Capital	Reserves	Subscriptions Received	Deficit	Total Equity
	Number	\$	\$	\$	\$	\$
<b>Balance, September 30, 2020</b>	12,300,000	206,589	-	30,000	(9,140)	227,449
Private placement - common shares	4,000,000	200,000	-	(30,000)	-	170,000
Private placement - special warrants	-	-	216,000	-	-	216,000
Share issuance costs	-	(3,146)	(2,775)	-	-	(5,921)
Net and comprehensive loss for the period	-	-	-	-	(195,051)	(195,051)
<b>Balance, June 30, 2021</b>	16,300,000	403,443	213,225	-	(204,191)	412,477
<b>Balance, September 30, 2021</b>	22,033,000	856,268	120,000	-	(363,591)	612,677
Private placement - common shares	12,641,021	1,987,475	3,354,936	-	-	5,342,411
Private placement - flow-through shares	5,602,000	2,027,100	773,900	-	-	2,801,000
Option agreement - Fission 3.0	6,046,952	5,502,726	-	-	-	5,502,726
Share issuance costs	-	(1,028,731)	598,511	-	-	(430,220)
Exercise - warrants	1,249,000	231,050	(28,950)	-	-	202,100
Exercise - restricted share units	3,550,000	3,195,000	-	-	-	3,195,000
Net and comprehensive loss for the period	-	-	-	-	(8,701,288)	(8,701,288)
<b>Balance, June 30, 2022</b>	<b>51,121,973</b>	<b>12,770,888</b>	<b>4,818,397</b>	<b>-</b>	<b>(9,064,879)</b>	<b>8,524,406</b>

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

**Traction Uranium Corp.**  
**Condensed Interim Statements of Cash Flow**  
For the Nine Months Ended June 30, 2022 and 2021  
In Canadian Dollars, unless noted (unaudited)

For the Nine Months Ended June 30,	Notes	2022	2021
<b>OPERATING ACTIVITIES</b>			
Net and comprehensive loss for the period		(8,701,288)	(195,051)
Items not affecting cash:			
Share-based compensation	7	3,298,970	-
<b>Net changes in non-cash working capital items:</b>			
Accounts receivable		(36,748)	(4,070)
Prepaid expenses		(457,427)	(16,362)
Accounts payable and accrued liabilities		(46,318)	9,141
<b>Cash used in operating activities</b>		<b>(5,942,811)</b>	<b>(206,342)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of exploration and evaluation assets	6	(600,000)	-
<b>Cash used in investing activities</b>		<b>(600,000)</b>	<b>-</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from share issuances	7	8,143,411	216,000
Proceeds from special warrants issuance		-	170,000
Share issuance costs	7	(544,190)	(5,921)
Warrant exercises	7	202,100	-
<b>Cash received from financing activities</b>		<b>7,801,321</b>	<b>380,079</b>
Net change in cash		1,258,510	173,737
Cash, beginning of period		677,874	201,306
<b>Cash, end of period</b>		<b>1,936,384</b>	<b>375,043</b>

*No cash interest paid during the three or nine months ended June 30, 2022 and 2021*

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

# **Traction Uranium Corp.**

## **Notes to the Condensed Interim Financial Statements**

For the Three and Nine Months Ended June 30, 2022 and 2021  
In Canadian Dollars, unless noted (unaudited)

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### **1. NATURE OF OPERATIONS**

Traction Uranium Corp. (formerly Traction Exploration Inc.) (the "Company") was incorporated under the BC Business Corporations Act on July 20, 2020. On November 4, 2021, the Company changed its name from "Traction Exploration Inc." to "Traction Uranium Corp."

The principal business of the Company is the acquisition, exploration and evaluation of resource properties. The Company's corporate office and principal place of business is 100-521 3<sup>rd</sup> Avenue SW, Calgary, AB, T2P 3T3.

These condensed interim financial statements (the "financial statements") were approved by the Board of Directors on August 29, 2022.

### **2. GOING CONCERN**

The Company has incurred losses since inception and has no current source of operating revenue and is accordingly dependent upon the receipt of equity and/or related party debt financing on terms which are acceptable.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. At June 30, 2022 the Company had total equity of \$8,524,406 working capital of \$2,421,680 and had a net loss and negative operating cash flows. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The Company expects to incur further losses in the development of its business.

The COVID-19 pandemic continues to impact the global economic environment. The current situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company is not known at this time. Estimates and judgments made by management in the preparation of these financial statements are subject to a higher degree of measurement uncertainty during this volatile period.

These events and conditions indicate a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. If for any reason, the Company is unable to continue as a going concern, this could result in adjustments to the amounts and classifications of assets and liabilities in the Company's financial statements and such adjustments could be material.

### **3. BASIS OF PRESENTATION**

In these financial statements, unless otherwise indicated, all amounts are expressed in Canadian dollars, which is the Company's functional and presentation currency.

These financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These financial statements are condensed as they do not include all of the information required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's audited financial statements for the year ended September 30, 2021.

The financial statements have been prepared on a historical cost basis, except as detailed in the accounting policies disclosed in Note 3 of the Company's audited financial statements for the year ended September 30, 2021. All accounting policies, estimates and methods of computation followed in the preparation of these financial statements are consistent with those of the previous year.

# Traction Uranium Corp.

## Notes to the Condensed Interim Financial Statements

For the Three and Nine Months Ended June 30, 2022 and 2021

In Canadian Dollars, unless noted (unaudited)

### 4. RESTRICTED CASH

As at June 30, 2022, the Company classified \$10,000 (September 30, 2021 - \$nil) as restricted cash. This amount is held as collateral for the Company's corporate credit cards and is invested in GICs at a rate of prime less 0.50%.

### 5. PREPAID EXPENSES

As at June 30, 2022, the Company has \$457,427 (September 30, 2021 - \$nil) in prepaid expenses and consists of the following:

	June 30, 2022	September 30, 2021
Prepaid exploration and evaluation costs	300,215	-
Prepaid advertising and marketing fees	157,213	-
<b>Total</b>	<b>457,428</b>	<b>-</b>

### 6. EXPLORATION AND EVALUATION ASSETS AND EXPENSES

Staking costs, property option payments and other costs associated with acquiring exploration and evaluation assets are capitalized and classified as exploration and evaluation assets. Other expenditures (i.e. geological and geographical surveys, analysis, mapping, etc.) are expensed as they are incurred.

The following table summarizes the Company's exploration and evaluation assets by property at June 30, 2022.

	Whitewater	Hearty Bay	Lazy Edwards	Total
	\$	\$	\$	\$
Balance, September 30, 2021	-	-	-	-
Acquisition costs (cash)	-	300,000	300,000	600,000
Acquisition costs (shares)	-	2,751,363	2,751,363	5,502,726
<b>Balance, June 30, 2022</b>	<b>-</b>	<b>3,051,363</b>	<b>3,051,363</b>	<b>6,102,726</b>

The following table summarizes the Company's exploration and evaluation expenses by property and type of expense, for the nine months ended June 30, 2022.

	Whitewater	Hearty Bay	Lazy Edwards	Total
	\$	\$	\$	\$
Drilling	-	596,801	1,397,519	1,994,319
Geophysics	-	194,781	5,931	200,712
Land	-	2,660	1,287	3,947
Reporting and administration	-	275	531	806
<b>Balance, June 30, 2022</b>	<b>-</b>	<b>794,517</b>	<b>1,405,268</b>	<b>2,199,785</b>

#### a) Whitewater Property

In August 2020, the Company entered into an option agreement with Afzaal Ahmed Pirzad (a related party) 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:

- i) Within three months of the agreement, the Company must incur expenditures of \$75,000 (met);
- ii) 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 (met);
- iii) 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 (unpaid); and



# Traction Uranium Corp.

## Notes to the Condensed Interim Financial Statements

For the Three and Nine Months Ended June 30, 2022 and 2021

In Canadian Dollars, unless noted (unaudited)

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- iv) 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 (unpaid).

During the nine-month period ended June 30, 2022, the Company incurred \$nil expenditures (2021 - \$83,363) expenditures on the Whitewater Property.

### b) Hearty Bay Property

On October 30, 2021 the Company entered into an option agreement with Fission 3.0 Corp. ("Fission") whereby the Company will be granted the right to earn and acquire up to a 70% interest in the Hearty Bay property in Saskatchewan.

The Company will earn an initial 50% interest in the Hearty Bay property upon satisfaction of each of the following obligations:

- i) Within seven days of the effective date, the Company will pay \$100,000 in cash (paid);
- ii) Seven days after the effective date, the Company will pay \$200,000 in cash (paid);
- iii) On or before the first anniversary of the effective date, the Company will pay \$100,000 in cash and incur exploration expenditures of \$1,000,000 on the Hearty Bay property;
- iv) On or before the eighteen-months after the effective date, the Company will pay \$100,000 in cash; and
- v) On or before the second anniversary of the effective date, the Company will pay \$150,000 in cash and incur additional exploration expenses of \$1,500,000 on the Hearty Bay property.

The Company will earn an additional 20% interest in the Hearty Bay property upon satisfaction of each of the following obligations:

- i) On or before the 30-months after the effective date, the Company will pay \$150,000 in cash; and
- ii) On or before the third anniversary of the effective date, the Company will pay \$200,000 in cash and incur exploration expenditures of \$3,000,000 on the Hearty Bay property.

During the nine-month period ended June 30, 2022, the Company issued 3,023,476 common shares to Fission 3.0 Corp. at \$0.91 per share and paid \$300,000 in cash, as part of the Hearty Bay option agreement.

### c) Lazy Edwards Property

On October 30, 2021 the Company entered into an option agreement with Fission, whereby the Company will be granted the right to earn and acquire up to a 70% interest in the Lazy Edwards property in Saskatchewan.

The Company will earn an initial 50% interest in the Lazy Edwards property by paying consideration as follows:

- i) Within seven days of the effective date, the Company will pay \$100,000 in cash (paid);
- ii) Seven days after the effective date, the Company will pay \$200,000 in cash (paid);
- iii) On or before the first anniversary of the effective date, the Company will pay \$100,000 in cash and incur exploration expenditures of \$1,500,000 on the Lazy Edwards property;
- iv) On or before the eighteen-months after the effective date, the Company will pay \$100,000 in cash; and
- v) On or before the second anniversary of the effective date, the Company will pay \$150,000 in cash and incur additional exploration expenses of \$3,000,000 on the Lazy Edwards property.

The Company will earn an additional 20% interest in the Lazy Edwards property upon satisfaction of each of the following obligations:

- i) On or before the 30-months after the effective date, the Company will pay \$150,000 in cash; and
  - ii) On or before the third anniversary of the effective date, the Company will pay \$200,000 in cash and incur exploration expenditures of \$4,500,000 on the Lazy Edwards property.
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**Traction Uranium Corp.**  
**Notes to the Condensed Interim Financial Statements**  
For the Three and Nine Months Ended June 30, 2022 and 2021  
In Canadian Dollars, unless noted (unaudited)

During the nine-month period ended June 30, 2022, the Company issued 3,023,476 common shares to Fission 3.0 Corp. at \$0.91 per share and paid \$300,000 in cash, as part of the Lazy Edwards option agreement.

**7. SHARE CAPITAL**

**A) Authorized and Issued Share Capital**

The authorized share capital consists of an unlimited number of common shares without par value.

Common shares issued and outstanding as at June 30, 2022 are 51,121,973 (September 30, 2021 – 22,033,000).

During the nine months ended June 30, 2022, the Company had the following common share transactions:

- (i) On November 15, 2021, the Company completed a non-brokered private placement of 1,291,986 units of the Company at a purchase price of \$0.27 per unit for aggregate gross proceeds of \$348,836. Each unit consists of one common share and one-half of one transferable common share purchase warrant at a price of \$0.50 per share for a period of two years from issuance.
- (ii) On December 22, 2021, the Company completed a non-brokered private placement of 5,602,000 flow-through units (each, an “FT Unit”) of the Company at \$0.50 per FT Unit for aggregate gross proceeds of \$2,801,000. Each FT Unit is composed of one common share, issued on a flow-through basis pursuant the Income Tax Act (Canada), and one-half of one common share purchase warrant. Each warrant is exercisable at \$0.60 per share for two years from the date of issuance. Finder’s fees of \$127,820 were paid and 255,640 finder’s warrants fair valued at \$138,046 were issued in connection with the private placement.
- (iii) On December 23, 2021, the Company completed a non-brokered private placement of 11,349,035 units (of the Company at \$0.44 per unit for aggregate gross proceeds of \$4,993,575. Each unit is composed of one common share and one-half of one common share purchase warrant. Finder’s fees of \$296,369 were paid and 660,177 finder’s warrants fair valued at \$356,496 were issued in connection with the private placement. Each finder’s warrant is exercisable at \$0.60 for two (2) years from the date of issuance.
- (iv) On December 29, 2021, the Company issued 6,046,952 common shares at a price of \$0.91 to Fission 3.0 Corp in accordance with the option agreements for the Hearty Bay and Lazy Edwards properties (note 6).
- (v) During the nine months ended June 30, 2022, 1,249,000 share purchase warrants and 3,550,000 restricted share units were exercised for 4,799,000 common shares of the Company.

**B) Share Purchase Options**

A summary of the Company’s share purchase options (“options”) at June 30, 2022 is as follows:

	<b>Number of Options</b>	<b>Exercisable</b>	<b>Expiry Date</b>	<b>Exercise Price</b>
<b>Balance, September 30, 2021</b>	-	-	-	-
Grant – November 5, 2021	300,000	150,000	November 5, 2023	\$0.70
Grant – June 8, 2022	950,000	-	June 8, 2024	\$0.50
<b>Balance, June 30, 2022</b>	<b>1,250,000</b>	150,000	\$0.55	\$0.55

During the nine months ended June 30, 2022, the Company recorded a fair value of \$85,888 pursuant to options vesting (nine months ended June 30, 2021 – nil).

**Traction Uranium Corp.**  
**Notes to the Condensed Interim Financial Statements**  
For the Three and Nine Months Ended June 30, 2022 and 2021  
In Canadian Dollars, unless noted (unaudited)

**C) Share Purchase Warrants**

A summary of the Company's share purchase warrants ("warrants") at June 30, 2022 is as follows:

	Number of Warrants	Weighted Average Exercise Price
<b>Balance, September 30, 2021</b>	<b>9,687,000</b>	<b>\$0.16</b>
Grant – November 15, 2021 <sup>(1)</sup>	645,992	\$0.50
Grant – December 21, 2021 <sup>(2)</sup>	9,391,335	\$0.60
Exercised	(1,272,000)	\$0.16
<b>Balance, June 30, 2022</b>	<b>18,452,327</b>	<b>\$0.39</b>

**Notes:**

- 1) Relates to the November 15, 2021 private placement. Refer to Note 7(a) for further information.
- 2) Relates to the December 22, 2021 and December 23, 2021 private placements. Refer to Note 7(a) for further information.

The following is a summary of the warrants at June 30, 2022:

Issue Date	Expiry Date	Exercise Price	Total Issued	Total Exercised	Total Remaining
November 23, 2020	November 23, 2023	\$0.10	4,000,000	600,000	3,400,000
September 1, 2021	September 1, 2022	\$0.20	5,710,000	631,000	5,079,000
November 15, 2021	November 15, 2023	\$0.50	645,992	41,000	604,992
December 21, 2021	December 21, 2023	\$0.60	9,391,335	-	9,391,335
<b>Total</b>			<b>19,747,327</b>	<b>1,272,000</b>	<b>18,475,327</b>

**D) Restricted Share Units**

Effective January 17, 2022, the Company has a 10% rolling restricted share unit plan which allows the Company to grant restricted share units ("RSUs") to directors, officers, employees and consultants of the Company, to a maximum of the number of shares equal to 10% of the shares issued and outstanding from time to time.

A summary of the Company's restricted share units ("RSUs") at June 30, 2022 is as follows

	RSUs	Fair Value
<b>Balance, September 30, 2021</b>	<b>-</b>	<b>-</b>
Grant – January 17, 2022 <sup>(1)</sup>	3,550,000	\$0.90
Grant – June 8, 2022 <sup>(2)</sup>	600,000	\$0.50
Exercised	(3,550,000)	\$0.90
<b>Balance, June 30, 2022</b>	<b>600,000</b>	<b>\$0.60</b>

**Notes:**

- 1) On January 17, 2022, pursuant to the provisions of the Company's restricted share unit plan, the Company granted an aggregate of 3,550,000 restricted share units of the Company (the "RSUs") to the various directors and consultants of the Company with a fair value of \$0.90 per RSU. The restricted share units vest 4 months from the grant date. The RSUs expire on January 17, 2024. At June 30, 2022, all RSUs granted on January 17, 2022, were exercised.
- 2) On June 8, 2022, pursuant to the provisions of the Company's restricted share unit plan, the Company granted an aggregate of 600,000 restricted share units of the Company to the various directors and consultants of the Company with a fair value of \$0.50 per RSU. The restricted share units vest quarterly over one year from the grant date. The RSUs expire on June 8, 2024.

During the nine months ended June 30, 2022, the Company recorded a fair value of \$3,213,082 pursuant to options vesting (nine months ended June 30, 2021 – nil).

**Traction Uranium Corp.**  
**Notes to the Condensed Interim Financial Statements**  
For the Three and Nine Months Ended June 30, 2022 and 2021  
In Canadian Dollars, unless noted (unaudited)

**8. RELATED PARTY TRANSACTIONS AND BALANCES**

Key management are those personnel having the authority and responsibility for planning, directing, and controlling the Company and include both executive and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

The aggregate value of transactions relating to key management personnel during the nine months ended June 30, 2022 and 2021 were as follows:

	June 30, 2022	June 30, 2021
	\$	\$
Consulting fees - CEO	23,333	6,000
Consulting fees - former CEO	34,000	-
Consulting fees - CFO	6,250	-
Consulting fees - former CFO	40,500	-
Director fees	40,000	-
Share-based compensation	593,696	-
<b>Total</b>	<b>737,779</b>	<b>6,000</b>

As at June 30, 2022, a \$nil balance (September 30, 2021 – \$1,050) was owing to key management personnel for fees and expenses incurred on behalf of the Company with these amounts all included in accounts payable. The amounts payable are non-interest bearing, are unsecured, and have no specific terms of repayment.

**7. COMMITMENTS**

As a result of the flow-through financing structure (see note 6(a)) on December 21, 2021, the Company is committed to expend \$2,801,000 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.

As at June 30, 2022, the Company has \$601,215 remaining in committed flow-through proceeds to be expended.

**8. RISK MANAGEMENT**

**A) Financial Risk Management**

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

**I. Credit Risk**

Credit risk is the risk that a counter party will be unable to pay any amounts owed to the Company. Management's assessment of the Company's exposure to credit risk on its \$1,936,384 in cash (September 30, 2021 - \$677,874) is low as the Company's cash is held with major Canadian financial institutions. The accounts receivable relates to GST receivable from the Canadian Revenue Agency.

**II. Liquidity Risk**

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. As at June 30, 2022 the Company's working capital surplus is \$2,421,680 (September 30, 2021 - \$612,677), and it does not have any long-term monetary liabilities. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

# Traction Uranium Corp.

## Notes to the Condensed Interim Financial Statements

For the Three and Nine Months Ended June 30, 2022 and 2021

In Canadian Dollars, unless noted (unaudited)

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The Company intends to seek additional financing to better manage its liquidity risk to ensure it will have sufficient liquidity to meet its current and future liabilities.

### III. Market Risk

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk, affect the fair values of financial assets and liabilities. The Company is not exposed to these risks.

### IV. Currency Risk

The operating results and financial position of the Company are reported in Canadian dollars. As the Company is exploring opportunities in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the Canadian dollar. The results of the Company's operations are subject to currency risk.

The Company has not entered into any agreements or purchased any foreign currency hedging instruments to hedge possible currency risks at this time. Management believes the foreign exchange risk derived from currency conversions is not significant, and therefore, does not hedge its foreign exchange risk.

## B) Fair Values

The carrying values of cash, accounts payable and accrued liabilities and loan payable approximate their fair values due to their short-term to maturity.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

**Level 1** – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

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

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

## 9. SUBSEQUENT EVENTS

On August 15, 2022, the Company entered into a property option agreement with UGreenco Energy Corp. pursuant to which the Company has been granted the right to acquire up to a 75% interest in and to the Key Lake South Property, which consists of a series of mineral disposition parcels located in Athabasca Basin, Northern Saskatchewan, Canada.

### *Terms of the Option Agreement:*

In consideration for a series of cash and share payments and the incurring of exploration expenditures, separated into two phases.

### *Phase One*

In phase one, the Company shall be entitled to acquire a 51% interest in and to the Property by:

- paying \$50,000 in cash to the Vendor within seven (7) days following the Effective Date;
- paying an additional \$200,000 in cash to the Vendor on or before December 31, 2023;
- paying an additional \$750,000 in cash to the Vendor on or before December 31, 2024;
- issuing, within sixty (60) days following the Effective Date, such number common shares in the capital of the Company (the "Shares") to the Vendor as is equal to \$100,000 equity converted
- on the date of issuance at the market price of the Shares trading on the Canadian Securities Exchange (the "CSE");

## **Traction Uranium Corp.**

### **Notes to the Condensed Interim Financial Statements**

For the Three and Nine Months Ended June 30, 2022 and 2021

In Canadian Dollars, unless noted (unaudited)

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- issuing, on or before December 31, 2023, such number of additional Shares to the Vendor as is equal to \$200,000 converted on the date of issuance at the market price of the Shares trading on the CSE;
- issuing, on or before December 31, 2024, such number of additional Shares to the Vendor as is equal to \$750,000 converted on the date of issuance at the market price of the Shares trading on the CSE; incurring, on or before December 31, 2022, \$150,000 worth of exploration expenditures on the Property;
- on or before December 31, 2023, either (1) completing 2,000 metres of diamond drilling on the Property or (2) incurring an additional \$1,500,000 worth of exploration expenditures on the Property; and
- on or before December 31, 2024, either (1) completing an additional 7,500 metres of diamond drilling on the Property or (2) incurring an additional \$6,500,000 worth of exploration expenditures on the Property.

#### *Phase Two*

Upon completion of phase one, the Company shall be entitled to acquire an additional 24% interest in and to the Property, for a total interest of 75%, by:

- paying an additional \$750,000 in cash to the Vendor on or before December 31, 2025;
- issuing, on or before December 31, 2025, such number of additional Shares to the Vendor as is equal to \$750,000 converted on the date of issuance at the market price of the Shares trading on the CSE; and
- on or before December 31, 2025, either (1) completing an additional 7,500 metres of diamond drilling on the Property or (2) incurring an additional \$6,500,000 worth of exploration expenditures on the Property.

Upon satisfaction of phase two and commencement of commercial production on the Property, the Company will grant the Vendor a net smelter returns royalty totaling two percent (2%) on commercial production from the Property (the "NSR Royalty"), with the Company.