

ARCTIC FOX MINERALS CORP.

Condensed Interim Financial Statements

For the six months ended June 30, 2022 and 2021

(Expressed in Canadian Dollars)

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 interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

ARCTIC FOX MINERALS CORP.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)

	Note	As at June 30, 2022 \$	As at December 31, 2021 \$
ASSETS			
Current assets			
Cash		306,431	359,983
Taxes recoverable		46,508	34,699
Prepaid expenses	4,10	52,705	53,904
Total current assets		405,644	448,586
Exploration and evaluation assets	3	869,423	853,851
TOTAL ASSETS		1,275,067	1,302,437
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	168,063	74,085
Promissory note	5	2,050	2,050
TOTAL LIABILITIES		170,113	76,135
SHAREHOLDERS' EQUITY			
Share capital	6	2,125,599	2,125,599
Deficit		(1,020,645)	(899,297)
TOTAL SHAREHOLDERS' EQUITY		1,104,954	1,226,302
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,275,067	1,302,437

Nature and continuance of operations (Note 1)
 Commitments (Note 3, 10)

Approved on behalf of the Board of Directors on August *, 2022:

"Milos Masnikosa"

Director

"Paul Chung"

Director

ARCTIC FOX MINERALS CORP.
CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)

	Note	For the three months ended,		For the six months ended	
		June 30, 2022 \$	June 30, 2021 \$	June 30, 2022 \$	June 30, 2021 \$
Expenses					
Interest expense		-	-	-	677
Consulting services	6,7	16,000	20,985	16,500	25,912
Filing fees		13,071	2,915	25,247	2,915
Exploration expense		-	-	-	81,498
Management fee		27,000	-	27,000	-
Investor communication		3,634	28,902	3,634	28,902
Professional fees		37,895	19,980	43,844	25,980
Office		4,649	309	5,123	309
Share-based compensation	6	-	-	-	86,903
Net loss and comprehensive loss for the period		(102,249)	(73,091)	(121,348)	(253,096)
Loss and comprehensive loss per share – basic and diluted		(0.00)	(0.00)	(0.00)	(0.01)
Weighted average number of common shares outstanding		70,356,340	56,866,917	70,356,340	45,252,342

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

ARCTIC FOX MINERALS CORP.
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(EXPRESSED IN CANADIAN DOLLARS)

	Note	Share capital		Share subscriptions \$	Deficit \$	Total \$
		Number of shares #	Amount \$			
Balance at December 31, 2020		38,000,000	521,200	20,000	(382,871)	158,329
Shares issued for cash	6	21,984,500	990,910	(20,000)	-	970,910
Shares issued for consulting services	6	246,340	4,927	-	-	4,927
Shares issued for Up Town acquisition	6	3,000,000	300,000	-	-	300,000
Loss and comprehensive loss for the period		-	-	-	(253,096)	(253,096)
Balance at June 30, 2021		63,227,840	1,817,037	-	(554,469)	1,262,568
Balance at December 31, 2021		70,356,340	2,125,599	-	(899,297)	1,226,302
Loss and comprehensive loss for the period		-	-	-	(121,348)	(121,348)
Balance at June 30, 2022		70,356,340	2,125,599	-	(1,020,645)	1,104,954

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

ARCTIC FOX MINERALS CORP.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)

For the six months ended,	June 30, 2022	June 30, 2021
	\$	\$
Operating activities		
Net loss for the period	(121,348)	(253,096)
Items not affecting cash:		
Shares issued for consulting services	-	4,927
Share-based compensation	-	86,093
Accrued interest	-	677
Changes in non-cash working capital item:		
Taxes recoverable	(11,809)	-
Prepaid expenses	1,199	(40,422)
Accounts payable and accrued liabilities	93,978	9,437
Net cash used in operating activities	(37,980)	(191,574)
Investing activities		
Investment in exploration and evaluation assets	(15,572)	-
Net cash used in investing activities	(15,572)	-
Financing activities		
Repayment of related party loan	-	(20,000)
Proceeds from private placement	-	921,969
Net cash provided by financing activities	-	901,969
Change in cash	(53,552)	710,395
Cash, beginning of period	359,983	166,200
Cash, end of period	306,431	876,595

Supplemental cash flow information:

Non-Cash Investing and Financing Activities:		
Taxes paid	-	-
Interest paid	-	-
Warrants issued for services	-	86,903

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

ARCTIC FOX MINERALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021
(EXPRESSED IN CANADIAN DOLLARS)

1. Nature and continuance of operations

Arctic Fox Minerals Corp. (formerly Melius Capital Corp.) (“Arctic” or the “Company”) was incorporated under the laws of the province of Ontario, Canada, and its principal activity is the acquisition and exploration of exploration and evaluation assets in Canada. The Company is in the process of acquiring a 100% interest in the Up Town Mineral Property located in the Northwest Territories (Note 3). On June 21, 2022, the Company listed on the Canadian Securities Exchange (“CSE”) under the ticker FOXY.

The head office and registered office of the Company are located at 409 – 22 Leader Lane, Toronto, Ontario, Canada, M5E 0B2.

These condensed interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company has substantial financial commitments in respect of the Up Town Mineral Property described in Note 3. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at June 30, 2022, the Company is in the process of completing share issuances to finance operations. The Company’s continuation as a going concern is dependent upon its ability to seek and acquire exploration properties, and its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs and fund its exploration activities over the next twelve months with proceeds from private placement(s) of common shares and/or loans from directors and companies controlled by directors.

In March 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put (or put back), in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, the longer the pandemic continues we anticipate this might increase the difficulty in capital raising, which may negatively impact the Company’s business and financial condition.

These events and conditions give rise to a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern. These condensed interim financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business. Such adjustments could be material.

2. Statement of compliance and significant accounting policies

These condensed interim financial statements were authorized for issue on August 25, 2022 by the Board of Directors of the Company.

Statement of compliance with International Financial Reporting Standards

These unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee.

ARCTIC FOX MINERALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021
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2. Statement of compliance and significant accounting policies (continued)

Statement of compliance with International Financial Reporting Standards (continued)

These unaudited condensed interim financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that these condensed interim financial statements be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2021.

Basis of presentation

These condensed interim financial statements are based on historical cost, except for financial instruments measured at fair value. The condensed interim financial statements are presented in Canadian dollars, unless otherwise noted, which is the Company's functional currency. In addition, the condensed interim financial statements have been prepared on the accrual basis except for cash flow information.

Summary of 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 December 31, 2021.

The preparation of the condensed interim financial statements requires that the Company's management make judgments and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period. Actual future outcomes could differ from present estimates and judgments, potentially having material future effects on the Company's condensed interim financial statements. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

Recent Accounting Pronouncements

As at the date of authorization of these condensed interim financial statements, the IASB and the IFRS Interpretations Committee had issued certain pronouncements that are mandatory for the Company's accounting periods commencing on or after January 1, 2022. Management has reviewed these upcoming accounting pronouncements and determined that they are not applicable or will not have a significant impact to the Company.

3. Up Town Mineral Property Assets

On December 4, 2020, the Company entered into an Assignment and Assumption agreement (the "Assignment Agreement") with Rover Metals Corp. (the "Assignor") and Silver Range Resources Ltd. ("SRR"). The Company does not currently have ownership interest in the Up Town Gold Property. The Company is an option holder. The transfer of ownership will take place once all conditions of the Assignment Agreement are completed.

The Assignor, SRR and Panarc Resources Ltd. ("Panarc") are parties to a property option agreement dated September 9, 2016, as amended on August 15, 2017, April 6, 2018, September 5, 2018 and February 18, 2020 (collectively the "Option Agreement") pursuant to which SRR granted to the Assignor an option (the "First Option") to acquire a 75% interest in certain mineral claims located in the Northwest Territories (the "Up Town Mineral Property Assets").

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021
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3. Up Town Mineral Property Assets (continued)

Under the Option Agreement, the Assignor was also granted a second option (the “Second Option”) to acquire from SRR the remaining 25% interest in the Up Town Mineral Property Assets upon the exercise of the First Option.

Under the Option Agreement, upon the exercise of the First Option, the Up Town Mineral Property Assets shall become subject to a net smelter royalty return interest of 2% in favour of SRR (the “NSR”), which can be reduced to 1% for a cash payment to SRR of \$1,000,000.

Under the Assignment Agreement the Company was required to:

- i) make a \$50,000 (paid) cash payment.
- ii) issue to the Assignor, within 25 business days of the Closing Date, such number of common shares of the Company (the “Arctic Shares”) as is equal to \$300,000 divided by the price per share at which Arctic Shares are offered by the Closing Date (issued);
- iii) complete an aggregate \$1,250,000 in Expenditures (as defined in the Option Agreement) as follows:
 - (1) \$500,000 by June 30, 2021 (extended, as per below); and
 - (2) an additional \$725,000 by June 30, 2022 (amended, as per below).
- iv) pay an amount of \$120,000 to SRR on or before March 16, 2021 (amended, as per below); and
- v) ensure that all mineral claims, mining leases and other mining interests into which mineral claims may have been converted are and remain in good standing until the later of: (A) one (1) year from the date of the termination of the First Option; or (B) December 16, 2022.

Amended terms

On March 18, 2021, the Company, Assignor, and SRR (collectively, the "Parties") agreed to amend certain terms of the Assignment Agreement (“Amending Agreement”) as follows:

1. The Company issued to the Assignor, within five days of the execution of the Amending Agreement, three million Arctic Shares (issued);
2. The Company will complete an aggregate \$1,250,000 in Expenditures as follows:
 - (1) \$500,000 by December 31, 2021; and
 - (2) an additional \$750,000 by December 31, 2022.
3. The Company paid the amount of \$120,000 to SRR in two instalments as follows:
 - (1) \$75,000 upon execution of the Amending Agreement (paid in March 2021); and
 - (2) \$45,000 (paid).

The Company will launch a new second private placement of Arctic Shares within two days of the execution of the Amending Agreement.

On March 23, 2021, the Company issued 3,000,000 shares at fair value of \$300,000 to Rover, to satisfy the terms of the assignment agreement.

As of March 31, 2022, the Company had paid \$50,000 to Rover, as well as the \$75,000 and the remaining \$45,000 to SRR.

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3. Up Town Mineral Property Assets (continued)

On January 11, 2021, the Parties agreed to amend the Assignment Agreement whereby the Company will incur an additional \$750,000 in Exploration Expenditures by June 30, 2023.

Summary of exploration and evaluation assets for the period ended June 30, 2022 and December 31, 2021:

	\$
Carrying value as of December 31, 2020	-
Acquisition costs	470,000
Geological/Geophysical	256,028
Field work and supplies	30,313
Property taxes and licenses	97,510
Carrying value as of December 31, 2021	853,851
Geological/Geophysical	15,572
Carrying value as of June 30, 2022	869,423

4. Prepaid expenses

	June 30, 2022	December 31, 2021
As at,	\$	\$
Exploration expenditures	35,884	48,961
Insurance	15,440	-
General & administrative	1,381	4,943
Total	52,705	53,904

5. Promissory note

	As at June 30, 2022	As at December 31, 2021
	\$	\$
Balance, beginning of year	2,050	21,373
Interest	-	677
Repayment	-	(20,000)
Balance, end of the period	2,050	2,050

During the year ended December 31, 2021, the Company repaid a promissory note with a former related party (the "Promissory Note"). The Promissory Note bore interest at 5% per month compounded monthly on the principal and was due on demand. The principal amount of the Promissory Note of \$20,000 was repaid during the year ended December 31, 2021. As at June 30, 2022, \$2,050 (December 31, 2021 - \$2,050) in accrued interest owing remains outstanding.

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6. Share capital

Authorized share capital

The authorized share capital of the Company is an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. All issued shares, consist only of common shares and are fully paid.

a. Issued share capital

As at June 30, 2022, the Company had 70,356,340 (December 31, 2021 – 70,356,340) shares outstanding.

During the period ended June 30, 2022

For the period ended June 30, 2022, the Company did not issue any common shares.

During the year ended December 31, 2021

On February 25, 2021 the Company completed the third of three tranches of a common share issuance by issuing 15,090,500 shares at \$0.02 per share for proceeds of \$301,810. The Company reclassified \$20,000 from share subscriptions.

On February 25, 2021 the Company issued 246,340 common shares to a consultant and recorded \$4,927 for services rendered.

On March 23, 2021, the Company issued 3,000,000 common shares at fair value of \$300,000 to Rover Metals Corp. pursuant to the Amending Agreement (Note 3).

On June 23, 2021 the Company closed a private placement and received \$689,100 for 6,891,000 shares issued.

On June 30, 2021, the Company issued 930,000 Common Shares with a fair value of \$0.10 per share to settle \$93,000 of accounts payable and accrued liabilities.

On July 22, 2021, the Company issued 2,250,000 common shares upon the exercise of 2,250,000 warrants at \$0.02 per share for proceeds of \$45,000. Upon exercise, the Company transferred \$33,282 of warrant reserve to share capital.

On September 24, 2021, the Company issued 3,625,000 common shares upon the exercise of 3,625,000 warrants at \$0.02 per share for proceeds of \$72,500. Upon exercise, the Company transferred \$53,621 of warrant reserve to share capital.

On December 30, 2021, the Company issued 323,500 common shares upon the conversion of 323,500 Special Warrants. Upon exercise, the Company transferred \$11,159 of warrant reserve to share capital.

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6. Share capital (continued)

b. Warrants

On January 11, 2021, the Company issued 5,875,000 performance warrants at fair value of \$86,903. Each performance warrant entitles the holder thereof to acquire one additional Common Share of the Company at a price of \$0.02 for a period of five years from the date of issuance if the Company's Common shares are not listed for trading on the CSE, or such other stock exchange or other organized markets where common shares are listed or posted for trading. If the performance warrants are listed on the CSE or such other stock exchange or other organized markets for which the Common Shares are listed or posted for trading, each performance warrant entitles the holder thereof to acquire one additional Common Share of the Company at a price that is a 20% discount to the market price on the date of exercise for a period of five years from the date of issuance. The fair value of the warrants granted was determined using the Black-Scholes Option Pricing Model with the following assumptions: stock price at grant date of \$0.02, risk-free rate of 0.46%, term of 5 years, expected volatility of 224% and no expected dividends. The fair value of \$86,903 was initially recorded to warrant reserve.

As at June 30, 2022, all 5,875,000 performance warrants were exercised. The Company received cash proceeds of \$117,500 and reclassified the fair value of the performance warrants of \$86,903 from warrant reserve to share capital.

	As at June 30, 2022	As at December 31, 2021
	\$	\$
Balance, beginning of year	-	-
Performance warrants issued	-	5,875,000
Special warrants issued	-	323,500
Exercised	-	(6,198,500)
Balance, end of the period	-	-

c. Stock options

The Company has adopted a stock option plan (the "Plan") which provides eligible directors, officers, employees and consultants with the opportunity to acquire an ownership interest in the Company and is the basis for the Company's long-term incentive scheme. The key features of the Plan are as follows:

- The aggregate number of common shares that may be issued pursuant to the exercise of options awarded under the Plan and all other security-based compensation arrangements of the Company shall not exceed 10% of the outstanding issued and outstanding shares at any given time.
- The options have a maximum term of ten years from the date of issue.
- Options vest as the board of directors of the Company may determine upon the award of the options.
- The exercise price of the shares subject to each option shall be determined by the Board, subject to applicable exchange approval, at the time any option is granted.

The Plan may be terminated at any time by resolution of the board of directors, but any such termination will not affect or prejudice rights of participants holding options at that time. If the Plan is terminated, outstanding options will continue to be governed by the provisions of the Plan. As at June 30, 2022 and December 31, 2021, the Company had not issued any stock options.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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7. Related party transactions

Key management personnel include those persons having 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 members of the Company's Board of Directors and corporate officers.

Included in promissory note at June 30, 2022 is \$2,050 (December 31, 2021 - \$2,050) owing to a shareholder and former director of the Company (Note 5).

At June 30, 2022, amounts owing to the CEO and CFO of the Company was \$28,350 (December 31, 2021 - \$4,725) and \$1,000, respectively, were included in accounts payable and accrued liabilities.

During the period ended June 30, 2022 and 2021, the Company entered into the following transactions with key management personnel, which include the officers and directors, of the Company.

	For the period ended June 30, 2022 \$	For the period ended June 30, 2021 \$
Management fees	27,000	-
Consulting services	1,500	13,985
Total	28,500	13,985

8. Financial instrument fair value and risk factors

Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments include cash, accounts payable and accrued liabilities, and promissory note. The carrying values of accounts payable and accrued liabilities, and the promissory note approximate their respective fair values due to the short-term to maturity of these financial instruments. Cash is measured based on Level 1 of the fair value hierarchy. There were no transfers between levels in the fair value hierarchy.

The following is an analysis of the Company's financial assets measured at fair value as at June 30, 2022 and December 31, 2021:

	As at June 30, 2022		
	Level 1	Level 2	Level 3
Cash	\$ 306,431	\$ -	\$ -

	As at December 31, 2021		
	Level 1	Level 2	Level 3
Cash	\$ 359,983	\$ -	\$ -

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8. Financial instrument fair value and risk factors (continued)

Risk factors

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's maximum exposure to credit risk is the carrying amount of cash and taxes recoverable. Cash totaled \$306,431 and taxes recoverable totaled \$46,508 as at June 30, 2022. As all of the Company's cash is held either in a trust bank account with the Company's legal firm or at a high-credit quality Canadian financial institution, management believes that there is minimal credit risk.

Currency Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's functional currency is the Canadian dollar. The Company does not have transactions denominated in foreign currencies, therefore it is not exposed to currency risk. The Company's cash is held in Canadian dollars.

Interest Rate Risk

Interest rate risk is the risk related to the fair value or future cash payments of interest-bearing financial instruments due to changes in interest rates. The Company has interest-bearing debt with fixed rates; therefore, management believes that the Company's exposure to interest rate risk is minimal.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash balances. As at June 30, 2022, the Company had cash of \$306,431 to cover current liabilities of \$170,113.

9. 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 exploration and development of its exploration and evaluation assets, acquire additional exploration and evaluation interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity, which totaled \$1,104,954 at June 30, 2022 (December 31, 2021 - \$1,226,302).

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management from inception.

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10. Commitment

The Company has engaged a contractor to conduct a program consisting of geophysics and diamond drilling, to retest historical drill results and to test any identified geophysical anomalies on the Up Town Property. The contractor is providing the program management for the work to be performed. The program required a total of \$590,000 of advances from the Company to the contractor based on certain timings in the work plan. These advances are held in a trust account and payments are approved by the Company based on invoices received from the contractor. At June 30, 2022, the Company had advanced \$590,000 and \$554,116 of costs have been incurred by the contractor. The remaining \$35,884 is included in prepaid expenses.

On July 28, 2021, the Company entered into a consulting agreement, whereby the Company has committed to grant the consultant 200,000 stock options once the Company has been listed on the CSE. As at June 30, 2022, these stock options have not been issued.