

**FIRST AMERICAN URANIUM INC.  
(FORMERLY PROSPERITY EXPLORATION CORP.)**

**CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

**Unaudited – Prepared by Management**

**Expressed in Canadian Dollars**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021**

**Head Office Address**

#1240 – 789 West Pender Street  
Vancouver, BC, V6C 1H2  
Canada

**Registered and Records Office Address**

#700 – 401 West Georgia Street  
Vancouver, BC, V6B 5A1  
Canada

### **Notice of No Auditor Review of Interim Financial Statements**

The accompanying unaudited financial statements have been prepared by management and approved by the Audit Committee.

The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute to Chartered Accountants for a review of interim financial statements by an entity's auditors.

**FIRST AMERICAN URANIUM INC. (FORMERLY PROSPERITY EXPLORATION CORP.)**

## CONSOLIDATED CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

Unaudited – Prepared by Management

Expressed in Canadian Dollars

AS AT

	September 30, 2022	December 31, 2021
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 58,247	\$ 12,156
Receivable	1,496	-
Prepaid expenses	-	63,789
<b>Total current assets</b>	<b>59,743</b>	<b>75,945</b>
<b>Non-current assets</b>		
Reclamation (Note 3)	24,000	-
Exploration and evaluation assets (Note 3)	1,346,853	107,269
<b>Total assets</b>	<b>\$ 1,430,596</b>	<b>\$ 183,214</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 8)	\$ 24,800	\$ 162,645
<b>Equity</b>		
Share capital (Note 4)	1,227,530	268,001
Contribution surplus (Note 4)	55,700	27,500
Deficit	(359,101)	(274,932)
<b>Equity attributable to the shareholders of the Company</b>	<b>924,129</b>	<b>20,569</b>
Non-controlling interest (Note 9)	481,667	-
<b>Total equity</b>	<b>1,405,796</b>	<b>20,569</b>
<b>Total liabilities and equity</b>	<b>\$ 1,430,596</b>	<b>\$ 183,214</b>

Nature and continuance of operations (Note 1)

On behalf of the Board:

“Michael England”

Director

“Kelvin Lee”

Director

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

**FIRST AMERICAN URANIUM INC. (FORMERLY PROSPERITY EXPLORATION CORP.)**

## CONSOLIDATED CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Unaudited – Prepared by Management

Expressed in Canadian Dollars

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
<b>EXPENSES</b>				
Advertising and promotion	\$ -	\$ -	\$ 1,434	\$ -
Filing fees	2,250	12,690	17,466	29,710
Management fees (Note 8)	7,500	7,500	22,500	17,500
Office and miscellaneous	-	-	80	181
Professional fees	7,499	15,710	42,689	38,880
Share-based compensation (Notes 4 and 8)	-	-	-	27,500
<b>Loss and comprehensive loss for the period</b>	<b>\$ (17,249)</b>	<b>\$ (35,900)</b>	<b>\$ (84,169)</b>	<b>\$ (113,771)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding</b>	<b>12,203,401</b>	<b>8,600,001</b>	<b>11,827,228</b>	<b>8,541,393</b>

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**FIRST AMERICAN URANIUM INC. (FORMERLY PROSPERITY EXPLORATION CORP.)**

## CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

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	Number of	Share capital	Subscriptions received in	Contribution	Deficit	Non- controlling	Total equity
	shares		advance	surplus		interest	
<b>December 31, 2020</b>	<b>5,400,001</b>	<b>\$ 108,001</b>	<b>\$ 150,000</b>	<b>\$ -</b>	<b>\$ (40,208)</b>	<b>\$ -</b>	<b>\$ 217,793</b>
Common shares	3,200,000	160,000	(150,000)	-	-	-	10,000
Share-based compensation	-	-	-	27,500	-	-	27,500
Loss for the period	-	-	-	-	(113,771)	-	(113,771)
<b>September 30, 2021</b>	<b>8,600,001</b>	<b>268,001</b>	<b>-</b>	<b>27,500</b>	<b>(153,979)</b>	<b>-</b>	<b>141,522</b>
Loss for the period	-	-	-	-	(120,953)	-	(120,953)
<b>December 31, 2021</b>	<b>8,600,001</b>	<b>268,001</b>	<b>-</b>	<b>27,500</b>	<b>(274,932)</b>	<b>-</b>	<b>20,569</b>
Common shares	3,503,400	350,340	-	-	-	-	350,340
Share issuance costs - cash	-	(117,778)	-	-	-	-	(117,778)
Share issuance costs - warrants	-	(28,200)	-	28,200	-	-	-
Shares issued for mineral properties	366,667	32,667	-	-	-	-	32,667
Shares issued for acquisition	8,000,000	680,000	-	-	-	481,667	1,161,667
Finders shares issued for acquisition	500,000	42,500	-	-	-	-	42,500
Loss for the period	-	-	-	-	(84,169)	-	(84,169)
<b>September 30, 2022</b>	<b>20,970,068</b>	<b>\$ 1,227,530</b>	<b>\$ -</b>	<b>\$ 55,700</b>	<b>\$ (359,101)</b>	<b>\$ 481,667</b>	<b>\$ 1,405,796</b>

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**FIRST AMERICAN URANIUM INC. (FORMERLY PROSPERITY EXPLORATION CORP.)**

## CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CASH FLOWS

Expressed in Canadian Dollars

Unaudited – Prepared by Management

	2022	Nine months ended September 30, 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (84,169)	\$ (113,771)
Item not involving cash:		
Share-based compensation	-	27,500
Changes in non-cash working capital items:		
Receivable	(1,496)	(2,996)
Prepaid expenses	63,789	(28,125)
Accounts payable and accrued liabilities	(137,845)	27,111
	<u>(159,721)</u>	<u>(90,281)</u>
Net cash used in operating activities		
	<u>(159,721)</u>	<u>(90,281)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation costs	(2,750)	-
Reclamation bond	(24,000)	(12,391)
	<u>(26,750)</u>	<u>(12,391)</u>
Net cash used in investing activities		
	<u>(26,750)</u>	<u>(12,391)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from private placements	350,340	10,000
Share issuance costs	(117,778)	-
	<u>232,562</u>	<u>10,000</u>
Net cash provided by financing activities		
	<u>232,562</u>	<u>10,000</u>
<b>Change in cash for the period</b>	<b>46,091</b>	<b>(92,672)</b>
<b>Cash, beginning of period</b>	<b>12,156</b>	<b>130,828</b>
<b>Cash, end of period</b>	<b>\$ 58,247</b>	<b>\$ 38,156</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Fair value of compensation options	\$ 28,200	\$ -
Shares issued for exploration and evaluation asset acquisition	\$ 22,667	\$ -
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

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# **FIRST AMERICAN URANIUM INC. (FORMERLY PROSPERITY EXPLORATION CORP.)**

## **NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

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### **1. NATURE AND CONTINUANCE OF OPERATIONS**

First American Uranium Inc. (formerly Prosperity Exploration Corp.) (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on September 1, 2020. The Company is an exploration stage junior mining company currently engaged in the identification, acquisition and exploration of mineral properties in Canada. The Company completed its initial public offering (“IPO”) and its shares were approved for listing on the Canadian Securities Exchange on January 28, 2022.

These condensed interim financial statements have been prepared in accordance with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The continued operations of the Company are dependent on its ability to develop a sufficient financing plan, receive financial support from related parties, complete sufficient equity financings or generate profitable operations in the future. These material uncertainties may cast significant doubt on the entity’s ability to continue as a going concern. The condensed interim financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue business.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. The impact of the COVID-19 pandemic has major implications for all economic activities, including that of the Company. At this time it is not possible to predict the duration or magnitude of the adverse results of the outbreak, however, management believes that the impact to the Company will be limited mainly to the curtailment of travel and access to mineral projects due to travel and social distancing restrictions as well as its ability to raise financing. There has been no material disruption to the Company’s current operations to date. The Company's current focus is on its project located in British Columbia, Canada and as a result, access to the property is not prohibited. The Company may consider acquisitions of other properties in foreign or domestic jurisdictions in the future.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of presentation**

These consolidated condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of condensed interim financial statements, including International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) and have been prepared following the same accounting policies and method of computation as the annual financial statements for the year ended December 31, 2021. They have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, or fair value through other comprehensive loss which are stated at their fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting except for cash flow information. These condensed interim financial statements are presented in Canadian dollars unless otherwise noted. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2021, which have been prepared in accordance with IFRS as issued by the IASB.

The consolidated condensed interim financial statements of the Company for the period ended September 30, 2022 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on November 25, 2022.

The preparation of the Company’s condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the condensed interim financial statements and the reported amounts of revenues and expenses during the reporting year. Estimates and assumptions are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

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## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Basis of consolidation**

The consolidated condensed financial statements include the financial statements of Prosperity Exploration Corp. and its subsidiary, FirstAmerican Energy Fuels Ltd. (“the subsidiary”), a Canadian incorporated exploration stage mining company in which the Company owns a 60% interest. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when an entity is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. All significant intercompany balances and transactions have been eliminated.

### **Estimates, judgments and assumptions**

#### Significant accounting judgments

Significant accounting judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the condensed interim financial statements include, but are not limited to, the determination of categories of financial assets and financial liabilities which has been identified as an accounting policy involving assessments made by management, recoverability of the carrying value of the Company’s exploration and evaluation assets, and the going concern assumption.

### **Financial instruments**

#### Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

*Financial assets at FVTPL* - Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in profit or loss in the period in which they arise.

*Financial assets at FVTOCI* - Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

*Financial assets at amortized cost* - Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in profit or loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

The Company has classified its cash at fair value through profit and loss.

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## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (continued)

#### Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

*Fair value through profit or loss* - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

*Financial liabilities at amortized cost* - This category consists of liabilities carried at amortized cost using the effective interest method. These financial liabilities are initially recognized at fair value less directly attributable transaction costs.

The Company's accounts payable and accrued liabilities are classified at amortized cost. Financial instruments that are measured at fair value use inputs, which are classified within a hierarchy that prioritizes their significance. 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.

### Exploration and evaluation assets

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration, and evaluation of mineral properties are capitalized by property. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors, and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of operations.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction." Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

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## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Impairment of long-lived assets**

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### **Flow-through shares**

Under Canadian income tax legislation, a company is permitted to issue flow through shares whereby the Company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. The Company allocates the proceeds from the issuance of these shares between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the shares and the amount the investor pays for the shares. A deferred flow-through premium liability is recognized for the difference. The liability is reversed when the expenditures are made and is recorded in other income. The spending also gives rise to a deferred tax timing difference between the carrying value and tax value of the qualifying expenditure.

### **Provision for environmental rehabilitation**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period.

As at September 30, 2022, the Company has determined that it does not have any decommissioning obligations.

# **FIRST AMERICAN URANIUM INC. (FORMERLY PROSPERITY EXPLORATION CORP.)**

## **NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

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### **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Loss per share**

The Company recognizes the dilutive effect on loss per share based on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the periods presented, this calculation proved to be anti-dilutive. Basic loss per share is calculated using the weighted average number of common shares outstanding during the period.

#### **Share capital**

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate resource properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants (“Warrants”). Depending on the terms and conditions of each equity financing agreement (“Agreement”), the Warrants are exercisable into additional common shares prior to expiry at a price stipulated by the Agreement. Warrants that are part of units are valued using residual value method which involves comparing the selling price of the units to the Company’s share price on the announcement date of the financing once the Company is listed on a stock exchange. The market value is then applied to the common share, and any residual amount is assigned to the warrants. Warrants that are issued as payment for agency fee or other transaction costs are accounted for as share-based payments and are recognized in equity. When warrants are forfeited or are not exercised at the expiry date the amount previously recognized in equity is transferred from reserves to deficit.

In situations where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received, or given up is not readily determinable, the fair market value (as defined) of the shares is used to record the transaction. The fair market value of the shares issued, or received, is based on the trading price of those shares on the appropriate Exchange on the date the shares are issued.

#### **Share issuance costs**

Share issue costs are deferred and charged directly to share capital on completion of the related equity financing. If the financing is not completed, share issue costs are charged to profit or loss. Costs directly identifiable with the raising of capital will be charged against the related share capital.

#### **Income taxes**

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Share-based payments**

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods and services received in the profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of capital stock.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioral considerations. All equity-settled share-based payments are reflected in reserves until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to capital stock, adjusted for any consideration paid.

Where a grant of options is cancelled and settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

### **New standards issued but not yet effective**

#### *Classification of Liabilities as Current or Non-Current Amendments to IAS 1:*

The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date.

These amendments are effective for reporting periods beginning on or after January 1, 2023.

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**3. EXPLORATION AND EVALUATION ASSETS**

	Silver Lake Property, British Columbia	Red Basin Uranium/ Vanadium, New Mexico	Total
<b>Acquisition costs</b>			
Balance, December 31, 2020 and 2021	\$ 11,060	\$ -	\$ 11,060
Common shares	10,000	22,667	32,667
Acquired as part of acquisition (Note 9)	-	1,204,167	1,204,167
Balance, September 30, 2022	\$ 21,060	\$ 1,226,834	\$ 1,247,894
<b>Exploration costs</b>			
Balance, December 31, 2020	\$ 76,000	\$ -	\$ 76,000
Assay and consulting	20,209	-	20,209
Balance, December 31, 2021	96,209	-	96,209
Assay and consulting	2,750	-	2,750
Balance, September 30, 2022	\$ 98,959	\$ -	\$ 98,959
Total balance, December 31, 2021	\$ 107,269	\$ -	\$ 107,269
Total balance, September 30, 2022	\$ 120,019	\$ 1,226,834	\$ 1,346,853

**Silver Lake Property, British Columbia**

On November 27, 2020, the Company entered into an option agreement to earn a 100% interest in the Silver Lake Property in British Columbia. In order to earn the interest, the Company must make the following option payments:

- i) pay \$10,000 (paid) within 5 days of execution of the agreement and issue 100,000 common shares (issued and valued at \$10,000) within 10 days after a listing on a Canadian stock exchange (the “Listing Date”);
- ii) pay \$15,000 and 150,000 common shares by January 28, 2023;
- iii) pay \$25,000 and issue 150,000 common shares by January 28, 2024;
- iv) pay \$50,000 and issue 100,000 common shares by January 28, 2025;
- v) pay \$125,000 by January 28, 2026; and
- vi) pay \$175,000 by January 28, 2027.

If the Silver Lake Property is acquired by the Company, then it will be required to pay a 2.0% net smelter returns royalty payable to vendor upon the commencement of commercial production, 0.75% of which is purchasable by the Company for \$250,000 at any time.

The Company paid \$24,000 as a reclamation bond on the Silver Lake Property.

# **FIRST AMERICAN URANIUM INC. (FORMERLY PROSPERITY EXPLORATION CORP.)**

## **NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

Unaudited – Prepared by Management

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

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### **3. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

#### **Red Basin Uranium/Vanadium, Catron County, New Mexico**

During the period ended June 30, 2022, through the FirstAmerican acquisition (Note 9), the Company acquired the option for the acquisition of a 100% interest (subject to a 2% NSR) in and to certain mineral claims located in Catron County, New Mexico by making the following payments:

- i) paying US\$50,000 and issuing 266,667 common shares (issued with a value \$22,667);
- ii) paying US\$100,000 and issuing 333,333 common shares by the 1st anniversary of the Effective Date;
- iii) paying US\$50,000 and issuing 400,000 common shares by the 2nd anniversary of the Effective Date;
- iv) paying US\$150,000 and issuing 466,667 common shares by the 3rd anniversary of the Effective Date;
- v) issuing 533,333 common shares by the 4th anniversary of the Effective Date;

On or before the date of commencement of commercial production an additional bonus payment of US\$250,000 in cash or shares will be paid to the optionee. The property is subject to a royalty equal to 2% of net smelter returns upon commencement of commercial production and such royalty may be reduced from 2% to 1% by the payment of US\$500,000.

### **4. SHARE CAPITAL**

#### **Authorized share capital**

Unlimited number of common shares without par value.

#### **Escrow share**

The Company entered into an escrow agreement, whereby common shares will be held in escrow and are scheduled for release at 10% on the listing date and 15% on every six months from date of listing. At September 30, 2022, there were 2,092,500 common shares held in escrow.

#### **Issued share capital**

During the period ended September 30, 2022, the Company:

- i) completed its initial public offering (“IPO”) of 3,503,400 common share at a price of \$0.10 per share for gross proceeds of \$350,340. Pursuant to the IPO, the Company paid a cash commission of \$53,988, a corporate finance fee of \$28,125, and 350,340 agent’s compensation options valued at \$28,200. Each compensation warrant is exercisable at a price of \$0.10 per share on or before January 28, 2025. The Company also paid other share issuance costs of \$35,664.
- ii) issued 100,000 common shares with a value of \$10,000 pursuant to the acquisition of the Silver Lake Property (Note 3).

During the year ended December 31, 2021, the Company:

- i) issued 3,200,000 common shares at \$0.05 per share for total proceeds of \$160,000.

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**4. SHARE CAPITAL (CONTINUED)****Stock options**

The Company adopted an equity settled stock option plan (“Plan”) where it would be authorized to grant options to directors, officers, consultants and employees of the Company. The number of options granted under the Plan is limited to 10% of the number of issued and outstanding common shares of the Company at the date of the grant of the options. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant of the options and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant of the options. The exercise price of options granted under the Plan may not be less than the discounted market price (as that term is defined in the policies of the stock exchange) of the Company’s common shares at the date the options are granted. Options granted under the Plan have a maximum term of five years, are non-transferable and expire within 90 days of termination of employment or holding office as a director, officer, employee or consultant of the Company and in the case of death, expire within one year thereafter. The options generally vest on the date of grant, however, the Board of Directors may specify a vesting period on a grant-by-grant basis.

During the year ended December 31, 2021, the Company granted 750,000 stock options to directors and officers of the Company, exercisable at a price of \$0.10 per option, expiring on February 11, 2024. The estimated fair value of these options was \$27,500. The options vested immediately.

Stock option transactions are summarized as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance at December 31, 2020	-	\$ -
Granted	750,000	0.10
<b>Balance at December 31, 2021 and September 30, 2022</b>	<b>750,000</b>	<b>\$0.10</b>

As of September 30, 2022, the following stock options were outstanding:

Expiry Date	Number of Options	Exercise price	Number of options exercisable
February 11, 2024	750,000	\$0.10	750,000
	750,000		750,000

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during:

	Nine months ended September 30, 2022	Year ended December 31, 2021
Risk-free interest rate	-	0.17%
Expected life of options	-	3.00 years
Expected annualized volatility	-	150.00%
Expected dividend rate	-	-

Expected annualized volatility is based on comparative peer companies historical share price.

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**4. SHARE CAPITAL (CONTINUED)****Warrants**

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at December 31, 2020 and 2021	-	\$ -
Granted	350,340	0.10
<b>Balance at September 30, 2022</b>	<b>350,340</b>	<b>\$0.10</b>

As of September 30, 2022, the following warrants were outstanding:

Expiry Date	Number of Warrants	Exercise price
January 28, 2025	350,340	\$0.10
	350,340	

The following weighted average assumptions were used for the Black-Scholes valuation of warrants granted during the period ended September 30:

	2022	2021
Risk-free interest rate	0.00%	-
Expected life of options	3.00 years	-
Expected annualized volatility	150.00%	-
Expected dividend rate	-	-

Expected annualized volatility is based on comparative peer companies historical share price.

**5. CAPITAL MANAGEMENT**

The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period ended September 30, 2022.

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**6. FINANCIAL INSTRUMENTS AND RISK***Fair values*

The Company's financial assets measured at fair value on a recurring basis were calculated as follows:

	Balance	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>As at September 30, 2022</i>				
Cash	\$ 58,247	\$ 58,247	-	-
<i>As at December 31, 2021</i>				
Cash	\$ 12,156	\$ 12,156	-	-

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Credit risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. As at September 30, 2022, the Company had \$1,496 (December 31, 2021 - \$Nil) receivable from government authorities in Canada. The Company believes it has no significant credit risk.

*Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2022 the Company had a cash balance of \$58,247 (December 31, 2021 - \$12,156) to settle accounts payable and accrued liabilities of \$24,800 (December 31, 2021 - \$162,645). The Company will require financing from lenders, shareholders and other investors to generate sufficient capital to meet its short-term business requirements. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity and equity prices.

a) Interest rate risk

The Company has cash balances. The Company is satisfied with the credit ratings of its bank. As of September 30, 2022 and 2021, the Company did not hold any investments. The Company believes it has no significant interest rate risk.

b) Foreign currency risk

As at September 30, 2022 and 2021, the Company was not exposed to foreign currency risk.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations may be significant. Much of this is out of the control of management and will be dealt with based on circumstances at any given time.

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**7. SEGMENTED INFORMATION**

The Company has one operating segment, being the exploration of exploration and evaluation assets in Canada.

**8. RELATED PARTY TRANSACTIONS**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel includes the Company's executive officers and Board of Director members.

During the period ended September 30, 2022, the Company:

- i) paid or accrued management and consulting fees of \$22,500 (Year ended December 31, 2021 - \$30,000) to a company owned by an officer of the Company for management services provided.
- ii) recorded \$Nil (Year ended December 31, 2021 - \$25,667) in share-based compensation related to options granted to officers and directors of the Company.

Included in accounts payable and accrued liabilities at September 30, 2022 is \$5,000 (December 31, 2021 - \$31,500) owed to a director and officer of the Company.

**9. ACQUISITION OF FIRSTAMERICAN ENERGY FUELS LTD.**

During the period ended September 30, 2022, the Company acquired 60% of the issued and outstanding shares of FirstAmerican Energy Fuels Ltd. ("FirstAmerican").

The transaction does not constitute a business combination as FirstAmerican does not meet the definition of a business under IFRS 3 – Business Combinations. As a result, the acquisition of FirstAmerican has been accounted for as an asset acquisition, whereby all of the assets acquired, and liabilities assumed are assigned a carrying amount based on their relative fair values. Upon closing the transaction, FirstAmerican became a subsidiary of the Company.

The net assets acquired pursuant to the acquisition are as follows:

<b>Net Assets Acquired</b>	
Mineral properties	\$ 1,204,167
Non-controlling interest	(481,667)
	<hr/>
	\$ 722,500
<hr/>	
<b>Total Purchase Price</b>	
Issuance of 80,000,000 common shares	\$ 680,000
Finder's fee – 500,000 common shares	42,500
	<hr/>
	\$ 722,500