

**BIG RED MINING CORP.**  
**AUDITED FINANCIAL STATEMENTS**

**For the year ended August 31, 2022 and for the period from incorporation on October 18, 2020 to  
August 31, 2021**

**(Expressed in Canadian dollars)**

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## INDEPENDENT AUDITORS' REPORT

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To the Shareholders of Big Red Mining Corp.

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Big Red Mining Corp. (the "Company"), which comprise the statements of financial position as at August 31, 2022 and August 31, 2021 and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year ended August 31, 2022 and for the period from incorporation on October 18, 2020 to August 31, 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2022 and August 31, 2021, and its financial performance and its cash flows for the year ended August 31, 2022 and for the period from incorporation on October 31, 2020 to August 31, 2021 in accordance with International Financial Reporting Standards (IFRS).

#### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Matters

The financial statements of the Company for the year ended August 31, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on October 22, 2021.

#### Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1 to the financial statements which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

#### Information other than the Consolidated Financial Statements and the Auditor's Report thereon

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in Management's Discussion and Analysis report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Junaid Hassam.

Vancouver, British Columbia  
November 29, 2022

  
Buckley Dodds CPA  
Chartered Professional Accountants

**BIG RED MINING CORP.**  
**Statements of Financial Position**  
**As at**  
(Expressed in Canadian dollars)

	Note	August 31, 2022	August 31, 2021
		\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		502,035	1,498,296
GST receivable		91,247	15,221
Interest receivable		2,685	-
Prepays	6	12,500	-
Total current assets		608,467	1,513,517
Exploration and evaluation assets	5, 6	655,369	117,680
<b>Total assets</b>		<b>\$1,263,836</b>	<b>\$1,631,197</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	6	70,000	49,175
Flow-through liability	7	-	12,000
Total current liabilities		70,000	61,175
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	1,594,361	599,461
Special warrants	7	-	975,900
Reserves	7	336,004	26,719
Deficit		(736,529)	(32,058)
Total shareholders' equity		1,193,836	1,570,022
<b>Total liabilities and shareholders' equity</b>		<b>\$1,263,836</b>	<b>\$1,631,197</b>

Nature of operations and going concern (Note 1)

Approved on behalf of the Board of Directors on November 29, 2022:

<b><i>"Jag Sandhu"</i></b>	<b><i>"Rodney Stevens"</i></b>
_____ Director	_____ Director

The accompanying notes are an integral part of these audited financial statements

**BIG RED MINING CORP.**  
**Statements of Loss and Comprehensive Loss**  
(Expressed in Canadian dollars)

	Note	Year ended August 31, 2022	For the period from incorporation on October 18, 2020 to August 31, 2021
		\$	\$
<b>Operating expenses</b>			
Management fees	6	220,000	2,857
Marketing		70,286	-
Office and miscellaneous	6	15,618	6,467
Professional fees		43,646	17,190
Share-based compensation	6, 7	309,285	-
Travel expenses		25,283	5,544
Transfer agent and filing		37,344	-
<b>Total operating expenses</b>		<b>721,462</b>	<b>32,058</b>
<b>Other income</b>			
Interest		4,991	-
Flow-through share premium	7	12,000	-
<b>Total other income</b>		<b>16,991</b>	<b>-</b>
<b>Net loss and comprehensive loss</b>		<b>\$(704,471)</b>	<b>\$(32,058)</b>
<b>Loss per share:</b>			
Basic and diluted		<b>\$(0.03)</b>	<b>\$(0.00)</b>
<b>Weighted average number of shares outstanding:</b>			
Basic and diluted		<b>24,464,166</b>	<b>10,630,063</b>

The accompanying notes are an integral part of these audited financial statements

**BIG RED MINING CORP.****Statements of Changes in Shareholders' Equity****For the year ended August 31, 2022 and for the period from incorporation****on October 18, 2020 to August 31, 2021**

(Expressed in Canadian dollars)

	Share capital		Special warrants	Reserves	Deficit	Total
	Number of common shares	Amount				
<b>Balance at October 18, 2020 (Incorporation)</b>	-	\$ -	\$ -	\$ -	\$ -	\$ -
Founder shares (Note 7)	5,000,000	25,000	-	-	-	25,000
Private placements (Note 7)	11,200,000	336,250	-	-	-	336,250
Flow-through private placements (Note 7)	4,160,000	308,000	-	-	-	308,000
Special warrant private placements (Note 7)	-	-	975,900	-	-	975,900
Shares issued for property (Note 5, 7)	50,000	2,500	-	-	-	2,500
Share-issuance costs - cash (Note 7)	-	(45,570)	-	-	-	(45,570)
Share-issuance costs – agent warrants (Note 7)	-	(26,719)	-	26,719	-	-
Net Loss	-	-	-	-	(32,058)	(32,058)
<b>Balance at August 31, 2021</b>	<b>20,410,000</b>	<b>599,461</b>	<b>975,900</b>	<b>26,719</b>	<b>(32,058)</b>	<b>1,570,022</b>
Conversion of special warrants (Note 7)	4,879,500	975,900	(975,900)	-	-	-
Shares issued for property (Notes 5, 7)	100,000	19,000	-	-	-	19,000
Share-based compensation (Notes 6, 7)	-	-	-	309,285	-	309,285
Net Loss	-	-	-	-	(704,471)	(704,471)
<b>Balance at August 31, 2022</b>	<b>25,389,500</b>	<b>\$ 1,594,361</b>	<b>\$ -</b>	<b>\$ 336,004</b>	<b>\$ (736,529)</b>	<b>\$ 1,193,836</b>

The accompanying notes are an integral part of these audited financial statements

**BIG RED MINING CORP.****Statements of Cash Flows**

(Expressed in Canadian dollars)

	Year ended August 31, 2022	For the period from incorporation on October 18, 2020 to August 31, 2021
	\$	\$
<b>Operating activities</b>		
Net loss for the period	(704,471)	(32,058)
Share-based compensation	309,285	-
Flow-through share premium	(12,000)	-
Changes in non-cash working capital		
GST receivable	(76,026)	(15,221)
Interest receivable	(2,685)	-
Prepays	(12,500)	-
Accounts payable and accrued liabilities	12,683	7,959
<b>Net cash flows provided by operating activities</b>	<b>(485,714)</b>	<b>(39,320)</b>
<b>Investing activities</b>		
Exploration and evaluation asset	(510,547)	(85,724)
<b>Net cash flows used in investing activities</b>	<b>(510,547)</b>	<b>(85,724)</b>
<b>Financing activities</b>		
Cash received from private placements	-	681,250
Cash received from issuance of special warrants	-	975,900
Cash share issuance costs	-	(33,810)
<b>Net cash flows provided by financing activities</b>	<b>-</b>	<b>1,623,340</b>
<b>Increase (Decrease) in cash and cash equivalents</b>	<b>(996,261)</b>	<b>1,498,296</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,498,296</b>	<b>-</b>
<b>Cash and cash equivalents, end of year</b>	<b>502,035</b>	<b>1,498,296</b>
<b>Cash and cash equivalents is comprised of:</b>		
Cash	\$2,035	\$1,498,296
Guaranteed investment certificate	\$500,000	\$ -
	<b>\$502,035</b>	<b>\$1,498,296</b>
<b>Non-cash transactions affecting cash flows from investing and financing activities:</b>		
Exploration and evaluation assets included in accounts payable	\$37,598	\$29,456
Share issuance costs included in accounts payable and accrued liabilities	\$ -	\$11,760
Shares issued for property option payment	\$19,000	\$2,500
<b>Cash paid for:</b>		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

The accompanying notes are an integral part of these audited financial statements

**BIG RED MINING CORP.**

**Notes to the Financial Statements**

**For the year ended August 31, 2022 and for the period from incorporation on October 18, 2020 to August 31, 2021**

(Expressed in Canadian dollars – unless otherwise noted)

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Big Red Mining Corp. (the “Company”) is in the business of the exploration and evaluation of mineral properties. The Company was incorporated under the *Business Corporations Act* of British Columbia on October 18, 2020. The address of the Company's registered and records office and principal place of business is Suite 100, 17565 58 Avenue, Surrey, British Columbia, V3S 4E3 Canada.

The Company’s primary business is the acquisition and exploration of mineral properties. The Company’s exploration and evaluation asset (Note 5) does not presently host any known mineral deposits nor, given the high degree of risk involved, can there be any assurance that its exploration activities will result in the definition of such deposits being located or, ultimately, a profitable mining operation in the future.

These financial statements (the “financial statements”) have been prepared using accounting principles applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company incurred a loss of \$704,471 during the year ended August 31, 2022 (For the period from incorporation on October 18, 2020 to August 31, 2021 - \$32,058), and has an accumulated deficit as at August 31, 2022 of \$736,529 (August 31, 2021 - \$32,058). Further, the Company has no source of operating cash flows, and there is no assurance that sufficient funding (including adequate financing) will be available to conduct required exploration and development of its mineral property projects. These factors indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern.

The application of the going concern concept is dependent upon the Company’s ability to generate future profitable operations and receive continued financial support from its creditors and shareholders. These financial statements do not give effect to any adjustments that might be required should the Company be unable to continue as a going concern. These adjustments could be material.



**BIG RED MINING CORP.**

**Notes to the Financial Statements**

**For the year ended August 31, 2022 and for the period from incorporation on October 18, 2020 to August 31, 2021**

(Expressed in Canadian dollars – unless otherwise noted)

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**2. BASIS OF PRESENTATION**

**a) Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. IFRS includes International Accounting Standards (“IAS”) and interpretations issued by the IFRS Interpretations Committee (“IFRIC”).

These financial statements were approved and authorized for issuance by the Company’s Board of Directors on November 29, 2022.

**b) Basis of presentation**

These financial statements have been prepared on a historical cost basis, except for those financial instruments which have been classified and measured at fair value. In addition, with the exception of cash flow information, these financial statements have been prepared using the accrual method of accounting.

**c) Functional and presentation currency**

All amounts in these financial statements are presented in Canadian dollars, the functional currency of the Company. The accounting policies set out below have been applied consistently.

The Company considers the primary and secondary indicators as part of its decision-making process. The financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

**BIG RED MINING CORP.**

**Notes to the Financial Statements**

**For the year ended August 31, 2022 and for the period from incorporation on October 18, 2020 to August 31, 2021**

(Expressed in Canadian dollars – unless otherwise noted)

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Cash and cash equivalents**

Cash and cash equivalents are comprised of cash in banks and short-term money market instruments which are readily convertible into a known amount of cash.

**b) Financial instruments**

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.

The following table shows the classification of the Company's financial instruments under IFRS 9:

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<b>Financial assets</b>	
Cash and cash equivalents	FVTPL
Interest receivable	Amortized cost
<b>Financial liabilities</b>	
Accounts payable	Amortized cost

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*Financial assets at FVTPL*

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the statements of loss and comprehensive 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 loss. 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*

Cash and other receivables with fixed or determinable payments that are not quoted in an active market are classified as held 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 the statement of loss and comprehensive loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

**BIG RED MINING CORP.**

**Notes to the Financial Statements**

**For the year ended August 31, 2022 and for the period from incorporation on October 18, 2020 to August 31, 2021**

(Expressed in Canadian dollars – unless otherwise noted)

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Financial liabilities at amortized cost*

Financial liabilities are recognized initially at fair value and subsequently measured at amortized cost and include accounts payable and other payables. Accounts payables and other payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payable and settlement liabilities are measured at amortized cost using the effective interest method. Loans are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

*Impairment of financial instruments*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized. Given the nature and balances of the Company's receivables, the Company has no material loss allowance as at August 31, 2022.

**c) Exploration and evaluation expenditures**

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. 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 administrative overhead costs, are expensed in the period in which they occur.

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. 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 loss and comprehensive loss.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property 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.

**BIG RED MINING CORP.**

**Notes to the Financial Statements**

**For the year ended August 31, 2022 and for the period from incorporation on October 18, 2020 to August 31, 2021**

(Expressed in Canadian dollars – unless otherwise noted)

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**d) Impairment of non-financial assets**

At each reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any 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 ("FVLCS") and value in use ("VIU"). FVLCS 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 VIU, 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 established 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 the purposes of impairment testing, exploration and evaluation assets (mineral properties) and equipment are allocated to cash-generating units to which the exploration activity relates. 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, so that the increased carrying amount 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.

**e) Share capital**

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash are valued based on their market value of the shares as of the date of issuance.

**f) Issuance of units**

When shares are issued together with a warrant (referred to as a unit), the warrant component of the unit is valued using the residual method. Under this method, any amount received for the unit in excess of the fair value of the share is attributed to the warrant.

**BIG RED MINING CORP.**

**Notes to the Financial Statements**

**For the year ended August 31, 2022 and for the period from incorporation on October 18, 2020 to August 31, 2021**

(Expressed in Canadian dollars – unless otherwise noted)

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**g) Share-based compensation**

The Company has a stock option plan under which it may grant stock options to directors, employees, consultants and service providers.

The Company records a share-based compensation expense for all options granted to employees, or to those providing similar services, at the fair value of the equity instruments over the vesting period, with a corresponding increase in share-based payments reserve. Each transfer of an award is considered separately with its own vesting date and grant date fair value. The Company uses the Black-Scholes Option Pricing Model to estimate the fair value of each stock option at the date of grant. For awards with vesting conditions, a forfeiture rate is recognized at the grant date and is adjusted to reflect the number of awards expected to vest. As the options are exercised, the consideration paid, together with the amount previously recognized in share-based payments reserve, is recorded as an increase in share capital. The initial fair values of options that expire unexercised remain in share-based payments reserve.

For equity-settled share-based compensation to non-employees, the Company measures the value of the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received. If the fair value cannot be estimated reliably, then the Company would use the Black-Scholes Option Pricing Model. The Company has no cash-settled share-based compensation transactions.

**h) Reserve**

The Company records stock option expense, equity component of convertible debenture, and contributed surplus within reserve on the Statement of Changes in Shareholders' Equity. When stock options or convertible debentures are exercised into common shares, the applicable amount under reserve will be transferred to share capital. For vested and expired conversion features or options, the applicable amount under the reserve account will be transferred to contributed surplus, also under the reserve account.

**i) Loss per share**

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated by adjusting the loss attributable to equity shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive instruments. The calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the year. In years where a loss is reported, diluted loss per share is the same as basic loss per share because the effects of potentially dilutive common shares would be anti-dilutive.

**BIG RED MINING CORP.**

**Notes to the Financial Statements**

**For the year ended August 31, 2022 and for the period from incorporation on October 18, 2020 to August 31, 2021**

(Expressed in Canadian dollars – unless otherwise noted)

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**j) Income taxes**

Income tax on the profit or loss for the periods presented comprises current and deferred tax. 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 regard to previous years.

Deferred tax is provided using the asset and 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: the initial recognition of assets or liabilities that affect neither accounting or taxable profit; nor 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to the offset of 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.

**k) Foreign currency translation**

Foreign currency transactions are translated into their functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive loss in the statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

**BIG RED MINING CORP.**

**Notes to the Financial Statements**

**For the year ended August 31, 2022 and for the period from incorporation on October 18, 2020 to August 31, 2021**

(Expressed in Canadian dollars – unless otherwise noted)

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**l) Restoration and environmental obligations**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration 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 restoration asset will be depreciated on the same basis as other mining assets.

Changes are recorded directly to mining assets with a corresponding entry to the restoration 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 and loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

**m) Significant accounting judgements and estimates**

The preparation of these financial statements in conformance with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

*Critical accounting estimates*

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

**BIG RED MINING CORP.**

**Notes to the Financial Statements**

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(Expressed in Canadian dollars – unless otherwise noted)

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**m) Significant accounting judgements and estimates (continued)**

*Critical accounting estimates (continued)*

Environmental rehabilitation obligation

The Company recognizes statutory, contractual or other legal obligations related to the retirement of its exploration and evaluation assets and its tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs are capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset.

Fair-value of finders' warrants

The Company measures the cost of finders' warrants by reference to the fair value of the warrants at the date on which they are granted. Estimating the fair value of finder warrants requires applying the Black-Scholes valuation model to each grant based on the terms and conditions of such issuance.

Share-based compensation

The fair value of stock options issued are subject to the limitations of the Black-Scholes Option Pricing Model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes Option Pricing Model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

*Critical accounting judgements*

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to, the following:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- the classification / allocation of expenditures as exploration and evaluation expenditures or operating expenses.

**n) Flow-through shares**

Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability ("flow-through tax liability"). Upon renouncement by the Company of the tax benefits associated with the related expenditures, a flow-through share premium liability is recognized, and the liability will be reversed as eligible expenditures are made. If such expenditures are capitalized, a deferred tax liability is recognized. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability.



## **BIG RED MINING CORP.**

### **Notes to the Financial Statements**

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **o) Leases**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- a) fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- c) amounts expected to be payable under a residual value guarantee;
- d) exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

During the year ended August 31, 2022, the Company entered into a month-to-month lease for head office space. Due to the short-term nature of the agreement the Company has applied the practical expedient to expense the rent payments as incurred.

**BIG RED MINING CORP.**

**Notes to the Financial Statements**

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**4. NEW ACCOUNTING STANDARDS AND RECENT PRONOUNCEMENTS**

**a) Recent accounting pronouncements**

Certain other accounting pronouncements were issued but the Company anticipates that the application of these standards, amendments and interpretations in future periods will have no material impact on the results and financial position of the Company except for additional disclosures. The Company is assessing the impact of the new or revised IFRS standards on its financial position and financial performance.

**5. EXPLORATION AND EVALUATION ASSETS**

**Dobie Lake Property**

The Company entered into an option agreement with Rich Copper Exploration Corp. (the “Vendor”) dated February 25, 2021, as amended on June 3, 2021, (the “Option Agreement”) to acquire a 100% interest in certain claims comprising the Dobie Lake Property (the “Property”) located in Ontario, Canada, subject to a 2% net smelter returns royalty payable to the Vendor.

Pursuant to the Option Agreement, to exercise the option the Company is required to:

- a) make a cash payment of \$5,000 to the Vendor within 30 days of signing of the Option Agreement (paid)
- b) issue a total of 350,000 common shares in the capital of the Company (“Shares”) to the Vendor per the following schedule:
  - 50,000 Shares within 90 days of signing the Option Agreement (issued)
  - 100,000 Shares on or before the first anniversary date of the Option Agreement (issued)
  - 100,000 Shares on or before the second anniversary date of the Option Agreement
  - 100,000 Shares on or before the third anniversary date of the Option Agreement
- c) incur exploration expenditures totaling \$830,000 on the Property per the following schedule:
  - \$80,000 on or before the first anniversary date of the Option Agreement
  - a further \$150,000 on or before the second anniversary date of the Option Agreement
  - a further \$250,000 on or before the third anniversary date of the Option Agreement
  - a further \$350,000 on or before the fourth anniversary date of the Option Agreement

The Company entered into a purchase agreement with a Vendor (the “Gryba Vendor”) dated November 30, 2021, (the “Gryba Option Agreement”) to acquire a 100% interest in certain claims located in Ontario, Canada. The Gryba claims are an expansion to the Dobie Lake Property.

Pursuant to the Gryba Agreement, to acquire the claims the Company is required to:

- a) make a cash payment of \$4,500 to the Gryba Vendor on signing of the Gryba Option Agreement (paid)
- b) make a cash payment of \$4,500 to the Gryba Vendor within 6 months of signing of the Gryba Option Agreement

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**5. EXPLORATION AND EVALUATION ASSET (CONTINUED)**

The Company entered into an option agreement with an Optionor (the “Skead Vendor”) dated November 30, 2021, (the “Skead Option Agreement”) to acquire a 100% interest in certain claims located in Ontario, Canada. The Skead claims are an expansion to the Dobie Lake Property.

Pursuant to the Skead Option Agreement, to exercise the option the Company is required to:

- a) make a cash payment of \$12,000 to the Skead Vendor on signing of the Skead Option Agreement (paid)
- b) issue 300,000 common shares in the capital of the Company to the Skead Vendor per the following schedule:
  - 100,000 Shares on or before the first anniversary date of the Skead Option Agreement
  - 100,000 Shares on or before the second anniversary date of the Skead Option Agreement
  - 100,000 Shares on or before the third anniversary date of the Skead Option Agreement

During the year ended August 31, 2022, the Company incurred a total of \$537,689 in exploration expenditures.

	August 31, 2021	Additions	August 31, 2022
	\$	\$	\$
<b>Acquisition costs</b>	7,500	40,000	<b>47,500</b>
<b>Exploration costs</b>			
Field expenses	1,547	35,047	<b>36,594</b>
Geological consulting	92,324	149,124	<b>241,448</b>
Geophysical	16,309	-	<b>16,309</b>
Drilling	-	313,518	<b>313,518</b>
<b>Total exploration costs</b>	110,180	497,689	<b>607,869</b>
<b>Total</b>	<b>\$117,680</b>	<b>\$537,689</b>	<b>\$655,369</b>

**6. RELATED PARTY TRANSACTIONS**

During the year ended August 31, 2022, the Company:

- Incurred \$130,000 (2021 - \$Nil) in management fees and recorded \$12,500 in prepaid expenses relating to services rendered by a company controlled by the CEO;
- Incurred \$14,500 (2021 - \$Nil) in office and miscellaneous relating to rent for head office space which will be paid to the CEO;
- Incurred \$90,000 (2021 - \$Nil) in management fees relating to services rendered by a company controlled by the CFO;
- Incurred \$48,855 (2021 - \$Nil) in geological consulting fees which is capitalized to exploration and evaluation assets relating to services rendered by companies controlled by a director of the Company;
- Incurred \$Nil (2021 - \$2,857) in management fees relating to services rendered by a director;

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**6. RELATED PARTY TRANSACTIONS (CONTINUED)**

- Recognized \$198,833 (2021 - \$Nil) in share-based compensation expense due to the vesting of options granted to directors and officers of the Company.

Amounts due to or from related parties are unsecured and non-interest bearing and measured at the amount of consideration established and agreed to by the related parties. The amounts due to or from related parties as at August 31, 2022 are included in accounts payable and accrued liabilities:

	<b>August 31, 2022</b>	August 31, 2021
	\$	\$
Due to directors and officers of the Company	<b>15,750</b>	233
Other related parties	-	716
<b>Total</b>	<b>\$15,750</b>	\$949

**7. SHARE CAPITAL**

The Company is authorized to issue an unlimited number of common shares.

**Share transactions**

During the year ended August 31, 2022, the Company issued the following:

- a) On October 26, 2021 the Company received notice of receipt for its long form prospectus from the British Columbia Securities Commission. As such on October 27, 2021 all outstanding Special Warrants were exercised and the Company issued 4,879,500 common shares to the special warrant holders for no additional consideration.
- b) On February 2, 2022, the Company issued 100,000 shares with a fair value of \$19,000 in connection to its option agreement with Rich Copper Exploration for the Dobie Lake Property.

During the year ended August 31, 2022, the Company fully renounced its flow-through expenditures and recognized a gain of \$12,000 upon reversal of the liability.

During the period ended August 31, 2021, the Company issued the following:

- a) On February 22, 2021 the Company issued 5,000,000 common shares at \$0.005 per share for gross proceeds of \$25,000.
- b) On March 15, 2021 the Company closed its \$0.025 flow-through unit offering issuing 3,200,000 flow-through units for gross proceeds of \$80,000. Each flow-through unit consists of one flow-through common share in the capital of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional share at an exercise price of \$0.20 per share on or before March 16, 2026. The warrants were valued at \$nil, using the residual value method and the Company recorded \$nil in flow-through liability in connection to the financing.
- c) On March 15, 2021 the Company closed its \$0.025 unit offering issuing 8,950,000 units for gross proceeds of \$223,750. Each unit consists of one common share in the capital of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional share at an exercise price of \$0.20 per share on or before March 16, 2026. The warrants

## **BIG RED MINING CORP.**

### **Notes to the Financial Statements**

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## **7. SHARE CAPITAL (CONTINUED)**

### **Share transactions (continued)**

were valued at \$nil, using the residual value method and the Company recorded \$nil in flow-through liability in connection to the financing.

- d) On March 30, 2021 the Company issued 2,250,000 common shares at \$0.05 per share for gross proceeds of \$112,500.
- e) On April 5, 2021 the Company issued 50,000 common shares at a fair value of \$0.05 per share, for a total value of \$2,500, in connection to the first option payment on the Dobie Lake Property.
- f) On August 18, 2021 the Company closed its \$0.25 flow-through unit offering issuing 960,000 flow-through units for gross proceeds of \$240,000. Each flow-through unit consist of one flow-through common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional share at an exercise price of \$0.30 per share on or before August 21, 2023. The warrants were valued at \$nil, using the residual value method and the Company recorded \$12,000 in flow-through liability in connection to the financing. In connection to the financing the Company paid a cash finder's fee of \$11,200 and issued 44,800 finder's warrants that were valued at \$6,087 using the Black Scholes model with an expected life of 2 years, volatility of 122% and a risk free rate of 0.40%. The finder's warrants are exercisable for a period of 2 years at a price \$0.30 per share.

### **Special warrants**

During the period ended August 31, 2021, the Company issued a total of 4,879,500 special warrants (the "Special Warrants") at \$0.20 for gross proceeds of \$975,900. Each Special Warrant entitles the holder to acquire, without payment of any consideration in addition to that paid for the Special Warrant, one previously unissued unit in the capital of the Company. Each unit is comprised of one common share in the capital of the Company and one common share purchase warrant where each warrant entitles the holder to purchase one additional common share at an exercise price of \$0.25 per share for a period of 3 years from the date of the exercise of the special warrants.

The Special Warrants may be exercised by the subscriber, in whole or in part, at any time following the closing of the offering. Any unexercised Special Warrants will be deemed to be exercised on that day which is the earlier of:

- the first (1st) business day following the day on which a receipt for a (final) prospectus has been issued to the Company by or on behalf of the securities regulatory; and
- the tenth (10th) anniversary of the date of the Special Warrant certificate.

The Company issued the special warrants in the following tranches:

- On July 5, 2021 the Company closed its first tranche issuing 1,163,000 special warrants for gross proceeds of \$232,600. In connection to the financing the Company paid a cash finder's fee of \$6,240 and issued 31,200 finder's warrants that were valued at \$2,965 using the Black Scholes model with an expected life of 2 years, volatility of 122% and a risk free rate of 0.46%. The finder's warrants are exercisable at a price \$0.40 per share until the earlier of (a) 2 years from the date of issuance of the finder's warrants and (b) 18 months from the first business day following the day on which a receipt for a (final) prospectus has been issued.

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**7. SHARE CAPITAL (CONTINUED)****Special warrants (continued)**

- On July 23, 2021 the Company closed its second tranche issuing 503,500 special warrants for gross proceeds of \$100,700. In connection to the financing the Company paid a cash finder's fee of \$3,250 and issued 16,250 finder's warrants that were valued at \$2,043 using the Black Scholes model with an expected life of 2 years, volatility of 122% and a risk free rate of 0.38%. The finder's warrants are exercisable at a price \$0.40 per share until the earlier of (a) 2 years from the date of issuance of the finder's warrants and (b) 18 months from the first business day following the day on which a receipt for a (final) prospectus has been issued.
- On August 18, 2021 the Company closed its third tranche issuing 1,024,000 special warrants for gross proceeds of \$204,800. In connection to the financing the Company paid a cash finder's fee of \$12,400 and issued 62,000 finder warrants that were valued at \$8,424 using the Black Scholes model with an expected life of 3 years, volatility of 122% and a risk free rate of 0.40%. The finder's warrants are exercisable for a period of 3 years at a price \$0.25 per share.
- On August 20, 2021 the Company closed its fourth tranche issuing 733,500 special warrants for gross proceeds of \$146,700. In connection to the financing the Company paid a cash finder's fee of \$11,360 and issued 56,800 finder's warrants that were valued at \$6,483 using the Black Scholes model with an expected life of 18 months, volatility of 122% and a risk free rate of 0.39%. The finder's warrants were issued on August 31, 2021 and are exercisable for a period of 18 months at a price \$0.25 per share.
- On August 31, 2021 the Company closed its fifth and final tranche issuing 1,455,500 special warrants for gross proceeds of \$291,100. In connection to the financing the Company paid cash finder's fees of \$1,120 and issued 5,600 finder's warrants that were valued at \$717 using the Black Scholes model with an expected life of 2 years, volatility of 122% and a risk free rate of 0.39%. Of the finder's warrants, 3,600 warrants are exercisable for a period of 3 years at a price \$0.25 per share and 2,000 warrants are exercisable for a period of 18 months at a price \$0.25 per share.

On October 26, 2021 the Company received notice of receipt for its long form prospectus from the British Columbia Securities Commission. As such on October 27, 2021 all outstanding Special Warrants were exercised and the Company issued 4,879,500 common shares to the special warrant holders for no additional consideration.

**Warrants**

Below is a summary of warrant activity during the year ended August 31, 2022:

	Amount Outstanding	Weighted Average Exercise Price
<b>Outstanding October 18, 2020 (Incorporation)</b>	-	\$ -
Issued	7,251,650	\$0.22
<b>Balance at August 31, 2021</b>	<b>7,251,650</b>	<b>\$0.22</b>
Issued	4,879,500	\$0.25
<b>Balance at August 31, 2022</b>	<b>12,131,150</b>	<b>\$0.23</b>

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**7. SHARE CAPITAL (CONTINUED)****Warrants (continued)**

The following table summarizes information about the warrants outstanding as at August 31, 2022:

<b>Number of warrants outstanding</b>	<b>Exercise price</b>	<b>Remaining life (years)</b>	<b>Expiry date</b>
58,800 <sup>(1)</sup>	\$0.25	0.50	March 1, 2023
31,200 <sup>(1)</sup>	\$0.40	0.65	April 27, 2023 <sup>(2)</sup>
16,250 <sup>(1)</sup>	\$0.40	0.65	April 27, 2023 <sup>(3)</sup>
44,800 <sup>(1)</sup>	\$0.30	0.97	August 21, 2023
960,000	\$0.30	0.96	August 18, 2023
62,000 <sup>(1)</sup>	\$0.25	1.97	August 19, 2024
3,600 <sup>(1)</sup>	\$0.25	2.00	August 31, 2024
6,075,000	\$0.20	3.54	March 16, 2026
4,879,500	\$0.25	2.16	October 27, 2024
12,131,150	\$0.23	2.74	

<sup>(1)</sup>Agent warrants<sup>(2)</sup> These warrants expire on the date that is the earlier of (a) July 5, 2023 and (b) 18 months from the first business day following the day on which a receipt for a (final) prospectus has been issued by or on behalf of the last of the securities regulatory authorities in the Province of British Columbia and in such other jurisdictions as may be determined by the Company qualifying the distribution of the shares to be issued upon exercise of the special warrants issued by the Company on July 5, 2021.<sup>(3)</sup> These warrants expire on the date that is the earlier of (a) July 23, 2023 and (b) 18 months from the first business day following the day on which a receipt for a (final) prospectus has been issued by or on behalf of the last of the securities regulatory authorities in the Province of British Columbia and in such other jurisdictions as may be determined by the Company qualifying the distribution of the shares to be issued upon exercise of the special warrants issued by the Company on July 23, 2021.**Options**

During the year ended August 31, 2022, the Company granted 1,330,000 stock options exercisable at a price of \$0.20 with a 5-year life and 350,000 stock options exercisable at a price of \$0.20 with a 5-year life. The Company uses the Black-Scholes Option Pricing Model to calculate the fair value of the options granted. The Company utilized the following assumptions: average volatility - 147%, average risk-free rate – 1.40% and a five-year term. Accordingly, the estimate grant date fair value of the options was \$324,627. All options granted vest over a period of 1 year with 25% of the options vesting every 3 months. During the year ended August 31, 2022 the Company recorded \$309,285 in share-based compensation in relation to these grants.

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(Expressed in Canadian dollars – unless otherwise noted)

**7. SHARE CAPITAL (CONTINUED)****Options (continued)**

A summary of the Company's stock option activity is as follows:

	<b>Number Outstanding</b>	<b>Weighted Average Exercise Price</b>
	#	\$
<b>Outstanding at August 31, 2021</b>	-	-
Issued	1,680,000	0.20
<b>Outstanding at August 31, 2022</b>	<b>1,680,000</b>	<b>\$0.20</b>

**Escrow Shares**

Under the escrow agreement dated September 9, 2021, 10% of the escrowed common shares were to be released from escrow on the date of listing on the Canadian Securities Exchange (the "CSE"). Subsequent to listing, an additional 15% are to be released every six months over a thirty-six month period. As at August 31, 2022, a total of 12,862,500 shares and 4,556,250 warrants were held in escrow (August 31, 2021 – Nil shares and Nil warrants).



**BIG RED MINING CORP.**

**Notes to the Financial Statements**

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**8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments consist of cash and cash equivalents, interest receivable, and accounts payable. The carrying values of the Company's interest receivable and accounts payable approximate their respective fair values due to the short term maturity of these instruments.

As at August 31, 2022, the fair value of cash and cash equivalents held by the Company was based on level 1 inputs of the fair value hierarchy.

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

*Credit risk*

The Company's primary exposure to credit risk is its cash and cash equivalents of \$502,035 at August 31, 2022. With cash and cash equivalents on deposit with reputable financial institutions, it is management's opinion that the Company is not exposed to significant credit risks arising from the financial instruments.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at August 31, 2022, the Company had current liabilities totaling \$70,000 and cash and cash equivalents of \$502,035 and is not exposed to significant liquidity risk at this time. However, since the Company is in the exploration stage, it will periodically have to raise funds to continue operations and intends to raise further financing through private placements.

*Market risk*

Market risk is the risk that changes in market prices such as commodity prices, foreign exchange rates and interest rates will affect the Company's income. The objective of market risk management is to manage and control market risk exposure within acceptable parameters. The Company does not use derivative instruments to reduce its insignificant exposure to market risks.

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**9. CAPITAL MANAGEMENT**

The Company includes shareholders' equity and any debt it may issue, in the definition of capital. The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management and consultants to sustain future development of the business.

The Company's property is in the exploration stage and as such the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds required.

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company. The Company is not subject to any external covenants.

**10. INCOME TAX**

The following is a reconciliation of income taxes attributable to operations at the statutory rates to income tax expense (recovery):

	<b>August 31, 2022</b>	August 31, 2021
	\$	\$
Loss before income taxes	<b>(704,471)</b>	(32,058)
Combined federal and provincial statutory income tax rates	<b>27%</b>	27%
Income tax recovery at statutory rates	<b>(190,000)</b>	(9,000)
Share issuance costs	-	(12,000)
Permanent differences	<b>82,000</b>	-
Impact of flow-through shares	<b>86,000</b>	-
Change in other items	<b>(8,000)</b>	-
Change in unrecognized deductible temporary differences	<b>30,000</b>	21,000
Total income tax recovery	-	-

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**10. INCOME TAX (CONTINUED)****Deferred tax balances**

The tax effects of temporary differences that give rise to future income tax assets are as follows:

	<b>August 31, 2022</b>	<b>August 31, 2021</b>
	\$	\$
Non-capital losses carry forward	<b>119,000</b>	11,000
Exploration and evaluation assets	<b>(75,000)</b>	
Share issuance costs	<b>7,000</b>	10,000
Total deferred tax assets	<b>51,000</b>	21,000
Less: unrecognised deferred tax assets	<b>(51,000)</b>	(21,000)
Net deferred tax assets	<b>-</b>	<b>-</b>

The significant components of the Company's unrecognized tax assets are as follows:

	<b>August 31, 2022</b>	<b>Expiry date range</b>	<b>August 31, 2021</b>	<b>Expiry date range</b>
	\$		\$	
Non-capital losses carry forward	442,000	2041 - 2042	32,000	2041
Share issuance costs	27,000	2023 - 2025	36,000	2022 - 2025

Tax attributes are subject to review and potential adjustment by tax authorities.