

VATIC VENTURES CORP.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED

AUGUST 31, 2022

EXPRESSED IN CANADIAN DOLLARS

(Unaudited – Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

The Company's independent auditor Davidson & Company LLP has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed consolidated interim financial statements.

October 26, 2022

VATIC VENTURES CORP.

Condensed Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	August 31, 2022	February 28, 2022
ASSETS		
Current		
Cash	\$ 13,860	\$ 1,012
Amounts receivable (Note 4)	23,319	62,823
Prepaid expenses (Note 5)	26,000	22,000
	63,179	85,835
Non-current		
Exploration and evaluation assets (Note 6)	930,175	75,175
Total assets	\$ 993,354	\$ 161,010
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 337,807	\$ 341,547
Due to related parties (Note 12)	30,000	76,826
	367,807	418,373
Non-current		
Loan payable (Note 8)	60,000	60,000
Total liabilities	427,807	478,373
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (Note 9)	11,211,540	9,680,391
Subscriptions received in advance (Note 9)	-	100,000
Share-based payment reserve (Note 9)	254,243	254,243
Warrant reserve (Note 9)	47,110	27,059
Deficit	(10,947,346)	(10,379,056)
Total shareholders' equity (deficiency)	565,547	(317,363)
Total liabilities and shareholders' equity (deficiency)	\$ 993,354	\$ 161,010

Nature of operations and going concern (Note 1)**Subsequent events (Note 14)**

Approved by the Board of Directors

"Loren Currie"

Director

"Matthew Mikulic"

Director

VATIC VENTURES CORP.

Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)

	Three months ended		Six months ended	
	August 31, 2022	August 31, 2021	August 31, 2022	August 31, 2021
Expenses				
Consulting fees (Note 12)	\$ 75,000	\$ 191,285	\$ 256,600	\$ 264,285
Business development	-	-	150,000	-
Management fees (Note 12)	-	-	-	22,500
Office and miscellaneous	5,869	4,577	7,613	6,902
Professional fees	54,539	69,124	73,405	70,324
Project investigation	-	12,000	-	12,000
Rent	-	1,908	1,999	4,595
Share-based payments (Note 9)	-	254,243	-	254,243
Transfer agent and filing fees	9,658	5,480	21,474	15,805
Travel, meals and entertainment	50,927	56,426	83,935	63,059
Total expenses	(195,993)	(595,043)	(595,026)	(713,713)
Gain on extinguishment of debt (Note 7)	26,736	600	26,736	52,581
Interest expenses (Note 8)	-	(207)	-	(4,442)
	26,736	393	26,736	48,139
Loss and comprehensive loss for the period	(169,257)	(594,650)	(568,290)	(665,574)
Weighted average number of common shares outstanding (basic and diluted)	26,068,032	14,381,510	22,456,293	7,371,247
Basic and diluted net loss per share	\$ (0.01)	\$ (0.04)	\$ (0.03)	\$ (0.09)

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

VATIC VENTURES CORP.

Condensed Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian Dollars)

	Number of shares issued	Share capital	Warrant reserve	Share-based payment reserve	Subscriptions received	Deficit	Total
Balance, February 29, 2021	4,382,375	\$ 8,561,677	\$ -	\$ -	\$ -	\$ (9,540,421)	\$ (978,744)
Loss for the period	-	-	-	-	-	(665,574)	(665,574)
Private Placement	8,332,467	999,896	-	-	-	-	999,896
Share for debt settlement	1,666,668	200,000	-	-	-	-	200,000
Share-based payment	-	-	-	254,243	-	-	254,243
Fair value reversal of agent's warrant granted	-	(27,059)	27,059	-	-	-	-
Finders 'fees	-	(47,123)	-	-	-	-	(47,123)
Balance, August 31, 2021	14,381,510	\$ 9,687,391	\$ 27,059	\$ 254,243	\$ -	\$ (10,205,995)	\$ (237,302)

	Number of shares issued	Share capital	Warrant reserve	Share-based payment reserve	Subscriptions received	Deficit	Total
Balance, February 28, 2022	14,381,510	\$ 9,680,391	\$ 27,059	\$ 254,243	\$ 100,000	\$ (10,379,056)	\$ (317,363)
Loss for the period	-	-	-	-	-	(568,290)	(568,290)
Private placement	3,050,000	610,000	-	-	-	-	610,000
Finders' fee	-	(28,800)	-	-	-	-	(28,800)
Warrants exercised	680,000	170,000	-	-	-	-	170,000
Fair value reversal of agent's warrants granted	-	(20,051)	20,051	-	-	-	-
Property acquisition	8,000,000	800,000	-	-	-	-	800,000
Share subscription received	-	-	-	-	(100,000)	-	(100,000)
Balance, August 31, 2022	26,111,510	\$ 11,211,540	\$ 47,110	\$ 254,243	\$ -	\$ (10,947,346)	\$ 565,547

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

VATIC VENTURES CORP.

Condensed Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	Six months ended	
	August 31, 2022	August 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (568,290)	\$ (665,574)
Adjustments for:		
Gain on extinguishment of debt	-	(52,581)
Share-based payments	-	254,243
Interest expense	-	4,442
Changes in non-cash working capital items:		
Decrease (increase) in amounts receivable	39,504	(414)
Increase in prepaid expenses	(4,000)	-
Decrease in due to related parties	(46,826)	(357,983)
Increase (decrease) in accounts payable and accrued liabilities	(3,740)	21,288
Net cash used in operating activities	(583,352)	(796,579)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	(55,000)	-
Net cash used in investing activities	(55,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Debt Settlements	-	65,158
Proceeds from private placements	780,000	999,896
Share issuance costs	(28,800)	(47,123)
Subscriptions received	(100,000)	-
Net cash provided by financing activities	651,200	952,773
Increase in cash	12,848	221,352
Cash, beginning of the period	1,012	5,202
Cash, end of the period	\$ 13,860	\$ 226,554

Supplemental disclosure with respect to cash flows (Note 13)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Vatic Ventures Corp. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on October 30, 2007. The Company’s shares are listed for trading under the trading symbol “VCV” on the TSX Venture Exchange (“TSX-V”). Effective April 15, 2021, the Company’s listing was transferred to New Securities Stock Exchange (NEX). The trading symbol for the Company changed from VCV to VCV.H. Effective April 22, 2022, the Company was relisted from the NEX to the TSX-V. The Company is a junior resource exploration company that is involved in the acquisition and exploration of mineral properties.

On May 4, 2021, the Company consolidated its common share on a 10:1 basis. These consolidated financial statements reflect the share consolidation retrospectively.

The head office and principal address of the Company is located at 1400 – 1040 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4H1. The registered address and records office of the Company is located at 2110 – 650 West Georgia Street, Vancouver, British Columbia, Canada, V6B 4N9.

As at August 31, 2022, the Company had a deficit of \$10,947,346 (February 28, 2022 - \$10,379,056) and a working capital deficiency of \$304,628 (February 28, 2022 - \$332,538). The Company expects to incur further losses in the development of its business, all of which indicate the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. These consolidated financial statements have been prepared 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 operations of the Company were primarily funded by the issuance of share capital. The issuance of additional equity securities by the Company may result in significant dilution to the equity interests of current shareholders. However, the Company’s future capital requirements will depend on many factors, including operating costs, the current capital market environment and global market conditions.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

2. BASIS OF RESENTATION

Statement of compliance

The condensed consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Approval of the financial statements

The condensed consolidated financial statements of the Company for the period ended August 31, 2022 were reviewed by the Audit Committee and approved and authorized for issue on October 26, 2022 by the Board of Directors of the Company.

2. BASIS OF RESENTATION (cont'd...)

Basis of preparation

The consolidated financial statements have been prepared on an accrual basis except for cash flow information and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted. Certain comparative figures have been reclassified to conform to the current period's presentation.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. All inter-company transactions and balances between the Company and its subsidiaries have been eliminated upon consolidation.

The subsidiaries are consolidated from the date on which control is transferred to the Company and will cease to be consolidated from the date on which control is transferred out of the Company. The Company also assesses existence of control where it does not have more than 50% of voting power but are able to control the investee by virtue of de facto control. De facto control may arise in circumstances where the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders gives the group the power to govern the financial and operating policies.

Details of the Company's subsidiaries are as follows:

	Date of Incorporation	Country of incorporation	Percentage owned August 31, 2022
VV Mining Exploration Services Mexico S. DE. R. I.	June 20, 2012	Mexico	100%
VV Mining Mexico S. DE R. I. C. V.	June 20, 2012	Mexico	100%

All inter-company transactions and balances have been eliminated upon consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses.

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, has been omitted or condensed.

The same accounting policies and methods of computation were followed in the preparation of these condensed consolidated interim financial statements as were followed in the preparation and described in Note 3 of the annual audited consolidated financial statements as at and for the year ended February 28, 2022. Accordingly, these condensed interim financial statements for the six month period ended August 31, 2022 should be read together with the annual audited consolidated financial statements as at and for the year ended February 28, 2022.

VATIC VENTURES CORP.
Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
For the six months ended August 31, 2022

4. ACCOUNTS RECEIVABLE

	August 31, 2022	February 28, 2022
Accounts receivable	\$ -	\$ 53,965
GST receivable	23,319	8,858
	<u>\$ 23,319</u>	<u>\$ 62,823</u>

Accounts receivable as at February 28, 2022 relate to shared office costs charged by the Company.

5. PREPAID EXPENSES

	August 31, 2022	February 28, 2022
Prepaid expenses	\$ 26,000	\$ 22,000
	<u>\$ 26,000</u>	<u>\$ 22,000</u>

Prepaid expenses as at August 31 and February 28, 2022 relate to prepayments for travel.

6. EXPLORATION AND EVALUATION ASSETS

	Northern Quebec		
	Hansen Gold Property		Total
Balance, February 28, 2021	\$ -	\$ -	-
Acquisition costs - cash	25,000		25,000
Expenditures			
Geological and geophysical	50,175		50,175
Balance, February 28, 2022	<u>\$ 75,175</u>	<u>\$ 75,175</u>	<u>75,175</u>
Acquisition costs - cash	55,000		55,000
Acquisition costs - shares	800,000		800,000
Balance, August 31, 2022	<u>\$ 930,175</u>	<u>\$ 930,175</u>	<u>930,175</u>

Hansen Gold Property in Northern Quebec

On September 21, 2021, the Company entered into an option agreement with Shadow Ventures Corp. (“Shadow”) to acquire a gold exploration property known as the Hansen prospect located in the Chibougamau area of northern Quebec (the “Property”).

6. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Shadow acquired the right to acquire the Property from Fayz Yacoub and Ramy Yacoub (the "Underlying Optionors") pursuant an agreement dated October 1, 2020, an amending agreement dated April 8, 2021, and a second amending agreement dated August 9, 2021 (together, the "Underlying Option Agreement"). The Company has agreed, pursuant to its option agreement with Shadow (the "Vatic Option Agreement") to option the rights and obligations from Shadow as provided for in the Underlying Option Agreement by satisfying the requirements of the Underlying Option Agreement and by providing Shadow with additional consideration. The Underlying Option Agreement was further amended on September 30, 2021, October 1, 2021 and October 31, 2021. The below requirements are reflective of such amendments.

In order to satisfy the requirements of the Underlying Option Agreement and the Vatic Option Agreement the Company will, subject to the approval of the TSX Venture Exchange (the "Exchange"), issue the shares, make the cash payments and complete the exploration expenditures as follows:

Shares:

- a) At the option of the Company, either issue 500,000 shares or issue such number of shares equal to \$100,000 (based on the 10 day volume weighted average price of the Company's shares prior to October 1, 2021)*;
- b) On closing, issue 7,000,000 shares which will be issued pro rata to the shareholders of Shadow*;
- c) On the date that a National Instrument 43-101 Technical Report on the Property is submitted to the Exchange, at the option of the Company, either issue an additional 500,000 shares or such number of shares equal to \$100,000 (based on the 10 day volume weighted average price of the Company's shares prior to the date of issuance)**;
- d) On or before October 1, 2022 a further 750,000 shares;
- e) On or before October 1, 2023 a further 1,000,000 shares; and
- f) On the declaration of proven reserves supported by a National Instrument 43-101 Technical Report reserve calculation report that Shadow deems economically feasible to continue developing the Property a further 500,000 shares.

**During the period ended August 31, 2022, Exchange approval was granted and the Company issued the shares.*

*** During the period ended August 31, 2022, the Company submitted the National Instrument 43-101 Technical Report and issued the shares.*

Cash:

- a) \$25,000 on or before October 8, 2021 (paid);
- b) \$55,000 payable on the date the Exchange approve the Option Agreement***;
- c) \$45,000 on October 1, 2022; and
- d) \$50,000 on October 1, 2023.

**** During the period ended August 31, 2022, Exchange approval was granted and the Company paid \$55,000.*

Expenditures:

On or before the following dates, the Company is required to incur exploration expenditures of:

- a) \$50,000 on or before March 31, 2022;
- b) A further \$200,000 on or before October 31, 2022; and
- c) A further \$500,000 on or before October 31, 2023.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	August 31, 2022	February 28, 2022
Accounts payable	\$ 167,625	\$ 198,874
Accrued liabilities	170,182	142,673
	<u>\$ 337,807</u>	<u>\$ 341,547</u>

During the period ended August 31, 2022, the Company recorded a gain on extinguishment of accounts payable of \$26,736 (February 28, 2022 - \$600).

8. LOANS PAYABLE

During the year ended February 28, 2021, the Company received a series of loans in the aggregate amount of \$125,500 (the "Loans"). The Loans are to carry a 15% per annum interest rate. During the year ended February 28, 2022, the Company issued a total of 1,123,679 units to settle \$134,841 of debt. Each unit consists of one share of the Company and one share purchase warrant (Note 9). The Company recognized a gain or loss on settlement of debt of \$nil in relation to this settlement.

During the year ended February 28, 2021, the Company entered into a Canada Emergency Business Account ("CEBA") loan with the Government of Canada. The amount of the loan is \$60,000 from the Government of Canada. The CEBA Loan has an initial term that expires on December 31, 2023, throughout which, the CEBA Loan remains interest free. Repayment of \$30,000 by December 31, 2023, results in a \$10,000 loan forgiveness. If the balance is not paid prior to December 31, 2023, the remaining balance will be converted to a 2-year term loan at 5% annual interest, paid monthly effective January 1, 2024. The full balance must be repaid by no later than December 31, 2025.

9. SHARE CAPITAL

Authorized: unlimited common shares without par value

During the six months ended August 31, 2022, the Company:

- a) The Company closed a non-brokered private placement consisting of 3,050,000 units at \$0.20 per unit for aggregate gross proceeds of \$610,000. Each unit consists of one common share of the Company and one half of a common share purchase warrant. Each full warrant is exercisable for an additional common share of the Company at \$0.30 for a two year period. In connection with the private placement, the Company paid cash finders' fees of \$28,800 and issued 144,000 finders' warrants. Each finders' warrant entitles the holder to purchase one common share of the Company at a price of \$0.30 for a period of 24 months.
- b) The Company issued 680,000 shares of the Company for proceeds of \$170,000 from the exercise of warrants.
- c) The Company issued 800,000 shares of the Company for the acquisition of Hansen Gold Property.

9. SHARE CAPITAL (cont'd...)

During the year ended February 28, 2022, the Company:

Closed a non-brokered private placement financing for aggregate gross proceeds of \$999,896. The Company issued 8,332,467 units of the Company at a price of \$0.12 per unit, each unit consists of one common share of the Company and one common share purchase warrant, each warrant is exercisable for an additional common share of the Company at \$0.25 for 12 months. In connection with the private placement, the Company paid finders fees in cash totaling \$54,123 and issued 192,693 finders' warrants, each warrant is exercisable for an additional common share of the Company at \$0.25 for 12 months. The finder's warrants were valued at \$27,059. The finder's warrants were valued using the Black-Scholes model with the following inputs: expected life of 1 year, discount rate of 0.25%, volatility of 123% and dividend yield of nil.

Issued 1,666,668 units of the Company at a value of \$200,000 to settle \$200,000. Each unit consists of one common share of the Company and one common share purchase warrant, each warrant is exercisable for an additional common share of the Company at \$0.25 for 12 months. These warrants were valued at \$nil.

Share options

The Company adopted a share option plan (the "Share Option Plan") under which it may grant options to directors, officers, and consultants for up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of an option may not be less than the discounted market price, which is the closing market price at date the options were granted. The options can be granted for a maximum term of 10 years and vest at the discretion of the board of directors.

For share options granted to employees, officers, directors, and consultants, the Company recognizes share-based payments, measured at the estimated fair value of the share options granted. The fair value of each share option granted was estimated on the date of grant using the Black-Scholes option-pricing model.

Changes in stock options are as follows:

	Number of options	Weighted average exercise price	Weighted average number of periods to expiry
Balance, February 28, 2021	-	N/A	N/A
Granted	1,400,000	\$0.22	4.39
Balance, February 28, 2022	1,400,000	\$0.22	4.39
Balance, August 31, 2022	1,400,000	\$0.22	3.88

As at August 31, 2022, the following options were outstanding and exercisable:

Weighted average exercise price	Weighted average contractual life (periods)	Number of options outstanding	Number of options exercisable	Expiry date
\$ 0.22	3.88	1,400,000	1,400,000	July 19, 2026
\$ 0.22	3.88	1,400,000	1,400,000	

VATIC VENTURES CORP.
Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars)
For the six months ended August 31, 2022

9. SHARE CAPITAL (cont'd...)

On July 19, 2021, the Company granted 1,400,000 stock options at an exercise price of \$0.22 expiring on July 19, 2026. The fair value of the stock options was estimated to be \$254,243 using the Black-Scholes option pricing model with the following inputs: expected life of five years, discount rate of 0.78%, volatility of 110% and dividend yield of nil.

Warrants

Changes in warrants outstanding are as follows:

	Warrants outstanding	Weighted average exercise price	Weighted average number of periods to expiry
Balance, February 28, 2021	-	NA	NA
Granted	10,191,828	\$0.25	0.35
Balance, February 28, 2022	10,191,828	\$0.25	0.35
Exercised	(680,000)	\$0.25	NA
Expired	(9,511,828)	\$0.25	NA
Granted	1,669,000	\$0.30	1.64
Balance, August 31, 2022	1,669,000	\$0.30	1.64

As at August 31, 2022, the following warrants are outstanding and exercisable:

Weighted average exercise price	Weighted Average Life (periods)	Number of warrants outstanding & exercisable	Expiry date
\$ 0.30	1.64	1,669,000	April 21, 2024
0.30	1.64	1,669,000	

10. CAPITAL DISCLOSURE

The Company considers its capital structure to include the net residual equity of all assets, less liabilities. Capital is comprised of the Company's equity and any debt that it may issue. The Company's objectives when managing capital are to (i) maintain sufficient working capital to meet current financial obligations and continue as a going concern; (ii) maintain a capital structure to allow the Company to raise equity funding to finance its capital expenditures and acquisition activities; (iii) maintain creditworthiness and maximize returns for shareholders over the long term; (iv) maintain capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic circumstances. The capital for expansion was mostly from proceeds from the issuance of common shares and debt. The net proceeds raised will be used to fund the Company's working capital. There were no changes to the way the Company manages its capital during the period ended August 31, 2022.

11. FINANCIAL INSTRUMENTS AND RISKS

Fair values

Under IFRS, a three-level hierarchy that reflects the significance of inputs used in making fair value adjustments is required. The three levels of the fair value hierarchy are as follows:

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

The Company does not have any financial assets or liabilities measured subsequently at fair value.

All financial assets and liabilities approximate their fair value due to the short term nature of these instruments.

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, market risk, liquidity risk and currency risk.

Credit risk

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and receivables.

The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The Company's amounts receivable consist primarily of GST receivable due from federal government agencies, and shared office costs.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. At August 31, 2022, the Company had cash of \$13,860 (February 28, 2022– \$1,012), which is insufficient to settle current liabilities of \$367,807 (February 28, 2022 - \$418,373).

Market risk

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

Currency risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company may have transactions that are denominated in US dollars. These transactions pose potential currency risks and may have a significant impact on the Company.

11. FINANCIAL INSTRUMENTS AND RISKS (cont'd...)

Based on the net exposures at August 31, 2022, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would not have a significant impact on the Company's net loss and comprehensive loss.

Interest rate risk

Interest rate risk arises from changes in market rates of interest that could adversely affect the Company. The Company's current exposure to interest rate risk is limited to its cash and cash equivalents yielding interest income at varying rates. The Company's interest obligations on its credit facility, loan payable and certain accounts payable balances, are fixed. The Company's current exposure to interest rate risk is insignificant.

Commodity risk

The Company is exposed to price risk with respect to commodity prices. 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 the commodity prices of precious metals, and the stock market to determine the appropriate course of action to be taken by the Company. The Company's current exposure to commodity rate risk is insignificant.

12. RELATED PARTY TRANSACTIONS

The amounts due to related parties are amounts due to officers and directors of the Company. The balances are unsecured, non-interest bearing and have no specific terms for repayment. These transactions are in the normal course of operations.

Due to related parties

	August 31, 2022		February 28, 2022	
Former CEOs	\$	-	\$	42,826
CEO		-		4,000
Directors		30,000		30,000
Total	\$	30,000	\$	76,826

During the six months ended August 31, 2022 and 2021, the Company paid or accrued management and consulting fees to its officers and directors as follows:

Management fees

	Six months ended			
	August 31, 2022		August 31, 2021	
CEO	\$	-	\$	7,500
Directors		-		15,000
	\$	-	\$	22,500

Consulting fees

	Six months ended			
	August 31, 2022		August 31, 2021	
CFO	\$	30,000	\$	21,000
	\$	30,000	\$	21,000

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions for the six months ended August 31, 2022:

- a) Issuance of finders' warrants with a total value of \$20,051;
- b) Issued 8,000,000 shares of the Company valued at \$800,000 to acquire Hansen Gold Property.

The significant non-cash transactions for the period ended August 31, 2021:

- a) Issuance of finders' warrants with a total value of \$27,059.
- b) Issuance of options with a total value of \$254,243.

14. SUBSEQUENT EVENTS

Subsequent to the period ended August 31, 2022, on September 30, 2022, the Company amended the Option Agreement with the Underlying Optionors as follows:

Shares

- a) Removing the 750,000 shares due by October 1, 2022 and replacing it with 250,000 shares issued on or before December 31, 2022; and
- b) Removing the 1,000,000 shares due by October 1, 2023 and replacing it with 250,000 shares issued on or before October 1, 2023.

Cash

- a) Removing the \$45,000 payment due on October 1, 2022 and replacing it with \$10,000 payable by October 1, 2022 (paid) and an additional \$15,000 payable by December 31, 2022; and
- b) Removing the \$50,000 payment due on October 1, 2023 and replacing it with \$25,000 payable by October 1, 2023 and an additional \$20,000 payable by October 1, 2024.

Expenditures

- a) A further \$200,000 on or before October 31, 2024.