

VATIC VENTURES CORP.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED

AUGUST 31, 2023

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 24, 2023

VATIC VENTURES CORP.

Condensed Consolidated Statements of Financial Position

(Expressed in Canadian Dollars - unaudited)

As at:	August 31, 2023	February 28, 2023
ASSETS		
Current		
Cash	\$ 127	\$ 38,171
Amounts receivable (Note 4)	9,460	11,647
Prepaid expenses (Note 5)	179,710	179,710
	189,297	229,528
Non-current		
Deferred acquisition costs (Note 6)	32,000	10,000
Exploration and evaluation assets (Note 6)	2,188,175	2,140,175
Total assets	\$ 2,409,472	\$ 2,379,703
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 292,569	\$ 247,065
Due to related parties (Note 13)	7,000	-
Loans payable (Note 8)	122,500	-
	422,069	247,065
Non-current		
Flow-through premium liability (Notes 9 & 10)	117,000	117,000
Loan payable (Note 8)	60,000	60,000
	177,000	177,000
Total liabilities	599,069	424,065
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	13,043,904	12,996,404
Subscriptions received in advance (Note 9)	15,000	-
Share-based payment reserve (Note 9)	508,525	472,818
Warrant reserve (Note 9)	95,407	95,407
Deficit	(11,852,433)	(11,608,991)
Total shareholders' equity	1,810,403	1,955,638
Total liabilities and shareholders' equity	\$ 2,409,472	\$ 2,379,703

Nature of operations and going concern (Note 1)

Contingencies (Note 6)

Approved by the Board of Directors

"Loren Currie"

Director

"Matthew Mikulicz"

Director

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

VATIC VENTURES CORP.

Condensed Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars - unaudited)

	Three months ended		Six months ended	
	August 31,	August 31,	August 31,	August 31,
For the three months ended:	2023	2022	2023	2022
Expenses				
Business development	\$ 16,235	\$ -	\$ 68,058	\$ 150,000
Consulting fees (Note 13)	19,235	75,000	48,235	256,600
Office and miscellaneous	520	5,869	3,321	7,613
Professional fees	45,843	54,539	68,343	73,405
Rent	-	-	-	1,999
Share-based payments (Notes 9 & 13)	-	-	35,707	-
Transfer agent and filing fees	3,121	9,658	9,494	21,474
Travel, meals and entertainment	-	50,927	10,284	83,935
Total expenses	(84,954)	(195,993)	(243,442)	(595,026)
Gain on extinguishment of debt (Note 7)	-	26,736	-	26,736
	-	26,736	-	26,736
Loss and comprehensive loss for the period	(84,954)	(169,257)	(243,442)	(568,290)
Weighted average number of common shares outstanding (basic and diluted)	29,961,510	26,068,032	29,871,836	22,456,293
Basic and diluted loss per share	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.03)

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

VATIC VENTURES CORP.

Condensed Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars - unaudited)

	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
Warrants exercised	680,000	170,000	-	-	-	-	170,000
Property acquisition	8,000,000	800,000	-	-	-	-	800,000
Fair value reversal of agent's warrant granted	-	(20,051)	20,051	-	-	-	-
Finder's fees	-	(28,800)	-	-	-	-	(28,800)
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

	Number of shares issued	Share capital	Warrant reserve	Share-based payment reserve	Subscriptions received	Deficit	Total
Balance, February 28, 2023	29,711,510	\$ 12,996,404	\$ 95,407	\$ 472,818	-	\$ (11,608,991)	\$ 1,955,638
Loss for the period	-	-	-	-	-	(243,442)	(243,442)
Property acquisition	250,000	47,500	-	-	-	-	47,500
Share-based payment	-	-	-	35,707	-	-	35,707
Share subscription received	-	-	-	-	15,000	-	15,000
Balance, August 31, 2023	29,961,510	\$ 13,043,904	\$ 95,407	\$ 508,525	15,000	\$ (11,852,433)	\$ 1,810,403

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

VATIC VENTURES CORP.

Condensed Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars - unaudited)

	Six months ended	
	August 31, 2023	August 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (243,442)	\$ (568,290)
Adjustments for:		
Share-based payments	35,707	-
Changes in non-cash working capital items:		
Decrease in amounts receivable	2,187	39,504
Increase in prepaid expenses	-	(4,000)
Increase (decrease) in due to related parties	7,000	(46,826)
Increase (decrease) in accounts payable and accrued liabilities	45,504	(3,740)
Net cash used in operating activities	(153,044)	(583,352)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	(500)	(55,000)
Deferred acquisition costs	(22,000)	-
Net cash used in investing activities	(22,500)	(55,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placements	-	780,000
Share issuance costs	-	(28,800)
Loans payable	122,500	-
Subscriptions received	15,000	(100,000)
Net cash provided by financing activities	137,500	651,200
Increase (decrease) in cash	(38,044)	12,848
Cash, beginning of the period	38,171	1,012
Cash, end of the period	\$ 127	\$ 13,860

Supplemental disclosure with respect to cash flows (Note 14)

The accompanying notes are an integral part of these condensed 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 (the “Exchange”). The Company is a junior resource exploration company that is involved in the acquisition and exploration of mineral properties.

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 4N8.

As at August 31, 2023, the Company had a deficit of \$11,852,433 (February 28, 2023 - \$11,608,991) and a working capital deficiency of \$232,772 (February 28, 2023 - \$17,537). 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.

There are many external factors that can adversely affect general workforces, economies, and financial markets globally. Examples include, but are not limited to political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and their effect 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, 2023 were reviewed by the Audit Committee and approved and authorized for issue on October 24, 2023 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.

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, 2023
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.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

Significant Accounting Estimates and Assumptions

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows. Significant estimates made by management include the following:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd...)*

1) Share-Based Payments

Equity-settled share-based awards are recognized as an expense based on their fair value at date of grant. The fair value of equity-settled share options and warrants are estimated through the use of a valuation model – Black-Scholes, which require inputs such as the risk-free interest rate, expected dividends, expected volatility and the expected option life, and is expensed over the vesting period. Using different input estimates or models produces different option values, which would result in the recognition of a higher or lower expense.

2) Economic recoverability of exploration and evaluation assets

Management has determined that exploration and evaluation costs incurred which were capitalized have future economic benefits and are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geological and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

3) Income taxes

Provisions for income and other taxes are based on management's interpretation of taxation laws, which may differ from the interpretation by taxation authorities. Such differences may result in eventual tax payments differing from amounts accrued. Reported amounts for deferred tax assets and liabilities are based on management's expectation for the timing and amounts of future taxable income or loss, as well as future taxation rates. Changes to these underlying estimates may result in changes to the carrying value, if any, or deferred income tax assets and liabilities.

4) Allowance for doubtful accounts

The Company recognizes an impairment loss allowance for expected credit losses on trade accounts receivable using a probability-weighted estimate of credit losses. In its assessment, management estimates the expected credit losses based on actual credit loss experience and informed credit assessment, taking into consideration forward-looking information. If actual credit losses differ from estimates, future earnings would be affected.

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, 2023. Accordingly, these condensed interim financial statements for the six month period ended August 31, 2023 should be read together with the annual audited consolidated financial statements as at and for the year ended February 28, 2023.

4. ACCOUNTS RECEIVABLE

	August 31, 2023	February 28, 2023
GST receivable	9,460	11,647
	\$ 9,460	\$ 11,647

5. PREPAID EXPENSES

	August 31, 2023	February 28, 2023
Prepaid expenses	\$ 179,710	\$ 179,710
	\$ 179,710	\$ 179,710

Prepaid expenses as at February 28 and August 31, 2023 relate to prepayments for consulting, business development and travel expenses.

6. EXPLORATION AND EVALUATION ASSETS

	Northern Quebec Hansen Gold Property		Total
Balance, February 28, 2022	\$	75,175	\$ 75,175
Acquisition costs - cash		65,000	65,000
Expenditures			
Geological and geophysical		2,000,000	2,000,000
Balance, February 28, 2023	\$	2,140,175	\$ 2,140,175
Acquisition costs - shares		47,500	47,500
Expenditures			
Geological and geophysical		500	500
Balance, August 31, 2023	\$	2,188,175	\$ 2,188,175

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

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 "Hansen Property").

Shadow acquired the right to acquire the Hansen Property from Fayz Yacoub and Ramy Yacoub (the "Underlying Optionors") pursuant to 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, October 31, 2021, September 30, 2022, and September 20, 2023. 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 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 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 Hansen 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**;
- d) On or before December 31, 2022 a further 250,000 shares***; and
- e) On or before October 31, 2023 a further 250,000 shares.

** During the year ended February 28, 2023, Exchange approval was granted and the Company issued the shares with a value of \$1,875,000.*

*** During the year ended February 28, 2023, the Company submitted the National Instrument 43-101 Technical Report and issued the shares with a value of \$125,000.*

**** During the six month period ended August 31, 2023, Exchange approval was granted and the Company 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 (paid);
- c) \$10,000 on October 1, 2022 (paid);
- d) \$15,000 on October 31, 2023;
- e) \$25,000 on February 1, 2024; and
- f) \$20,000 on October 1, 2024.

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 (incurred); and
- b) A further \$200,000 on or before October 31, 2025.

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

Sister's Mountain Property in New Brunswick

On February 14, 2023, the Company entered into an option agreement (the "Vatic Sister's Mountain Property Option Agreement") with Commitment Capital Inc. ("CCI") whereby it has an option to acquire a 100% interest in a Rare Earth Elements (REE) and polymetallic claims package known as the Sister's Mountain prospect (the "Sister's Mountain Property"), located in Southwestern New Brunswick.

CCI acquired the right to acquire the Sister's Mountain Property from Wayne Lockhart (the "Optionor") pursuant to an agreement dated December 11, 2022 (the "Sister's Mountain Property Underlying Option Agreement"). The Company has agreed, pursuant to its option agreement with CCI to option the rights and obligations from CCI as provided for in the Sister's Mountain Property Underlying Option Agreement by satisfying the requirements of the Sister's Mountain Property Underlying Option Agreement and by providing CCI with certain consideration as follows:

Cash:

- a) \$15,000 on the date the Exchange approves the option agreement (\$10,000 paid and recognized as deferred acquisition costs)

Shares:

- a) 10,000,000 shares to be issued on the date the Exchange approves the Vatic Sister's Mountain Property Option Agreement;
- b) 2,000,000 shares to be issued on the first anniversary of the execution of the Sister's Mountain Property Underlying Option Agreement (December 11, 2023).

In order to satisfy the requirements of the Sister's Mountain Property Underlying Option Agreement to the Optionor, the Company will issue the shares and make the cash payments to the Optionor and complete the exploration expenditures on the Sister's Mountain Property as follows:

Shares:

- a) the lessor of 500,000 shares or such number of shares having a trade value of \$100,000 at the time of issuance upon the Exchange's acceptance of a National Instrument 43-101 Standards of Disclosure for Mineral Projects technical report (the "NI 43-101 Report") on the Sister's Mountain Property;
- b) 500,000 shares to be issued on the first anniversary of the execution of the Sister's Mountain Property Underlying Option Agreement (December 11, 2023);
- c) 500,000 shares to be issued on the second anniversary of the execution of the Sister's Mountain Property Underlying Option Agreement (December 11, 2024);
- d) 500,000 shares to be issued on the third anniversary of the execution of the Sister's Mountain Property Underlying Option Agreement (December 11, 2025);
- e) 500,000 shares to be issued on the fourth anniversary of the execution of the Sister's Mountain Property Underlying Option Agreement (December 11, 2026); and
- f) 500,000 shares to be issued on the fifth anniversary of the execution of the Sister's Mountain Property Underlying Option Agreement (December 11, 2027).

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

Cash:

- a) \$90,000 payable on upon the Exchange's acceptance of the NI 43-101 Report;
- b) \$50,000 payable on the second anniversary of the execution of the Sister's Mountain Property Underlying Option Agreement (December 11, 2024);
- c) \$50,000 payable on the third anniversary of the execution of the Sister's Mountain Property Underlying Option Agreement (December 11, 2025);
- d) \$50,000 payable on the fourth anniversary of the execution of the Sister's Mountain Property Underlying Option Agreement (December 11, 2026); and
- e) \$100,000 payable on the fifth anniversary of the execution of the Sister's Mountain Property Underlying Option Agreement (December 11, 2027).

Expenditures:

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

- a) Up to \$35,000 for the production and submission of the NI 43-101 Report;
- b) \$250,000 on or before the first anniversary of the execution of the Sister's Mountain Property Underlying Option Agreement (December 11, 2023);
- c) \$300,000 on or before the second anniversary of the execution of the Sister's Mountain Property Underlying Option Agreement (December 11, 2024);
- d) \$350,000 on or before the third anniversary of the execution of the Sister's Mountain Property Underlying Option Agreement (December 11, 2025);
- e) \$400,000 on or before the fourth anniversary of the execution of the Sister's Mountain Property Underlying Option Agreement (December 11, 2026); and
- f) \$450,000 on or before the fifth anniversary of the execution of the Sister's Mountain Property Underlying Option Agreement for an aggregate total of \$1,785,000 (December 11, 2027).

The Sister's Mountain Property is subject to various net smelter returns royalties totaling 3% to various parties, 1% of which can be repurchased by the Company by the payment of \$1,000,000 to one of the royalty holders that currently holds 2% of the 3% total royalties.

Contingencies:

On February 28, 2023, the Company has been advised that it, along with the Optionor and CCI, has been named as defendants in a lawsuit ("Notice of Civil Claim") commenced by Mayne Minerals Inc. ("Mayne"), a private company, wherein Mayne alleges that certain mineral claims comprising part of the Sister's Mountain Property (the "Claims") were improperly staked for the benefit of the Optionor rather than for Mayne. Subsequent to year end, the Company has filed a Response to Civil Claim. In the opinion of management, the ultimate disposition of the matter is not determinable as it is too early to provide an assessment given it was recently commenced, but the Company will vigorously defend and enforce its right to purchase the Claims in good faith.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	August 31, 2023	February 28, 2023
Accounts payable	\$ 133,755	\$ 85,252
Accrued liabilities	158,814	161,813
	<u>\$ 292,569</u>	<u>\$ 247,065</u>

During the year ended February 28, 2023, the Company recorded a gain on extinguishment of debt of \$27,031.

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 consisted 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.

During the six month period ended August 31, 2023, the Company received \$122,500 in loans from a third party shareholder. The loans are unsecured, bear no interest and are repayable on demand.

9. SHARE CAPITAL

Authorized: unlimited common shares without par value

During the six months ended August 31, 2023, the Company:

The Company issued 250,000 shares pursuant to the option agreement of Hansen Gold Property with a value of \$47,500.

There were no private placements during the period ended August 31, 2023 for the Company.

During the year ended February 28, 2023, 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 with a value of \$20,051. 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. The finder's warrants were valued using the Black-Scholes model with the following inputs: expected life of 2 years, discount rate of 2.63%, volatility of 114.96% and dividend yield of nil.
- b) The Company issued 680,000 shares for proceeds of \$170,000 from the exercise of warrants.
- c) The Company issued 8,000,000 shares pursuant to the option agreement of Hansen Gold Property with a value of \$2,000,000.
- d) The Company closed a private placement financing consisting of 1,000,000 units at \$0.30 per unit for aggregate gross proceeds of \$200,000. Each unit consists of one common share of the Company and one half of a common share purchase warrant, each full warrant being exercisable for an additional common share of the Company at \$0.30 for 24 months. The Company allocated \$25,000 of residual value to the warrants.

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

- e) The Company closed a \$0.23 flow-through unit private placement financing for aggregate gross proceeds of \$598,000. The Company issued 2,600,000 flowthrough units ("FT Units"), each FT Unit being comprised of one flow through common share of the Company and one half of a common share purchase warrant, each full warrant being exercisable for an additional non flow-through common share of the Company at \$0.40 for 24 months. Cash finder's fees totaling \$47,839 were paid and 208,000 broker warrants, exercisable at \$0.23 for 24 months were issued with a value of \$23,297. The broker warrants were valued using the Black-Scholes model with the following inputs: expected life of two year, discount rate of 3.87%, volatility of 127.24% and dividend yield of nil. A flow-through shares premium liability of \$117,000 was allocated to the flow-through obligation of this private placement. As at August 31, 2023, the Company has not fulfilled the total obligation of this private placement on eligible exploration expenditures.

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, 2022	1,400,000	\$ 0.22	4.39
Granted	1,571,152	0.20	4.93
Balance, February 28, 2023	2,971,152	\$ 0.21	4.20
Cancelled	(250,000)	0.20	N/A
Granted	250,000	0.20	4.59
Balance, August 31, 2023	2,971,152	\$ 0.21	3.71

As at August 31, 2023, 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	2.88	1,400,000	1,400,000	July 19, 2026
0.20	4.42	1,321,152	1,321,152	January 31, 2028
0.20	4.59	250,000	250,000	March 31, 2028
\$ 0.21	3.71	2,971,152	2,971,152	

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

On January 31, 2023, the Company cancelled 250,000 stock options issued to consultants.

On March 31, 2023, the Company granted 250,000 stock options to a consultant of the Company. The options have an exercise price of \$0.20 and expire 5 years from the date of issuance. The fair value of the stock options was estimated to be \$35,707 using the Black-Scholes option pricing model with the following inputs: expected life of five years, discount rate of 3.02%, volatility of 101% and dividend yield of nil. The Company recorded share-based compensation of \$35,707 during the six months ended August 31, 2023.

On January 31, 2023, the Company granted 1,571,152 stock options at an exercise price of \$0.20 expiring on January 31, 2028. The fair value of the stock options was estimated to be \$218,575 using the Black-Scholes option pricing model with the following inputs: expected life of five years, discount rate of 3.04%, volatility of 101% and dividend yield of nil. The Company recorded share-based compensation of \$218,575 during the year ended February 28, 2023.

Warrants

Changes in warrants outstanding are as follows:

	Warrants outstanding	Weighted average exercise price	Weighted average number of periods to expiry
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	3,677,000	0.33	1.48
Balance, February 28, 2023	3,677,000	\$ 0.33	1.48
Balance, August 31, 2023	3,677,000	\$ 0.33	0.98

As at August 31, 2023, the following warrants are outstanding and exercisable:

Weighted average exercise price	Weighted Average Life (periods)	Number of warrants outstanding & exercisable	Expiry date
\$ 0.30	0.64	1,669,000	April 21, 2024
0.30	1.19	500,000	November 8, 2024
0.40	1.28	1,300,000	December 12, 2024
0.23	1.28	208,000	December 12, 2024
\$ 0.33	0.98	3,677,000	

10. FLOW-THROUGH SHARE PREMIUM LIABILITY

On December 12, 2022, the Company raised \$598,000 through the issuance of 2,600,000 flow-through units at a price of \$0.23 per unit. A flow-through liability of \$117,000 was recognized on the issuance date. As of August 31, 2023, \$598,000 remains to be spent on qualifying expenditures.

11. 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 six month period ended August 31, 2023.

12. 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, 2023, the Company had cash of \$127 (February 28, 2023– \$38,171), which is insufficient to settle current liabilities of \$422,069 (February 28, 2022 - \$247,065).

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

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.

Based on the net exposures at August 31, 2023, 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.

13. 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. The amounts due to related parties during the six months ended on August 31, 2023 and the year ended February 28, 2023 are as follows,

Due to related parties			
		August 31, 2023	February 28, 2022
CFO	\$	7,000	\$ -
Total	\$	7,000	\$ -

13. RELATED PARTY TRANSACTIONS (cont'd...)

During the six months ended August 31, 2023 and 2022, the Company paid or accrued management and consulting fees to its officers and directors as follows:

Consulting fees		Six months ended	
		August 31, 2023	May 31, 2022
CFO	\$	24,000	\$ 30,000
	\$	24,000	\$ 30,000

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions for the six months ended August 31, 2023:

- a) Issued 250,000 shares of the Company valued at \$47,500 pursuant to the option agreement to acquire the Hansen Gold Property.

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 pursuant to the option agreement to acquire the Hansen Gold Property.