

**POWER GROUP PROJECTS CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JANUARY 31, 2023 AND 2022**

**(Expressed in Canadian Dollars)**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of Power Group Projects Corp.

### *Opinion*

We have audited the consolidated financial statements of Power Group Projects Corp. (the "Company"), which comprise the consolidated statements of financial position as at January 31, 2023 and 2022 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at January 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### *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 Consolidated 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 consolidated 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.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a comprehensive loss of \$1,591,120 during the year ended January 31, 2023. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended January 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no key audit matters to communicate in our auditor's report.

### *Other Information*

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, but does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

#### *Responsibilities of Management for the Consolidated Financial Statements*

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

In preparing the consolidated 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.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

*RSM Canada LLP*

Chartered Professional Accountants  
May 30, 2023  
Edmonton, Alberta

**POWER GROUP PROJECTS CORP.**  
**Consolidated Statements of Financial Position**  
**As at January 31, 2023 and 2022**  
*(Expressed in Canadian dollars)*

	2023	2022
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 74,319	\$ 677,085
Prepaid expenses and sundry receivable	23,354	38,225
	<b>97,673</b>	<b>715,310</b>
<b>Property and equipment (Note 5)</b>	<b>5,003</b>	<b>7,148</b>
	<b>\$ 102,676</b>	<b>\$ 722,458</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 71,682	\$ 80,244
	<b>71,682</b>	<b>80,244</b>
<b>Shareholders' Equity</b>		
<b>Share capital (Note 7)</b>	<b>25,040,700</b>	24,095,700
<b>Contributed surplus (Note 7)</b>	<b>2,338,774</b>	2,303,874
<b>Deficit</b>	<b>(27,348,480)</b>	<b>(25,757,360)</b>
	<b>30,994</b>	<b>642,214</b>
	<b>\$ 102,676</b>	<b>\$ 722,458</b>

*Nature of Business, Continuance of Operations and Going Concern (Note 1)*

**Approved by the Board**

**"Aleem Nathwani"**

*Director (Signed)*

**"Scott Hayduk"**

*Director (Signed)*

**POWER GROUP PROJECTS CORP.**  
**Consolidated Statements of Operations and Comprehensive Loss**  
**For the years ended January 31**  
*(Expressed in Canadian dollars, except share amounts)*

	2023	2022
<b>Expenses</b>		
Consulting and management fees (Note 8)	\$ 246,976	\$ 162,207
Depreciation (Note 5)	2,145	2,144
Exploration and evaluation expenditures (Note 6)	1,171,976	1,978,433
Insurance	13,846	8,822
Office	4,106	3,442
Professional fees	56,421	73,235
Promotion and entertainment	-	200
Rent	-	40,000
Shareholder communications	5,313	3,538
Transfer agent and regulatory fees	55,437	43,272
Shared based compensation	34,900	75,057
	<b>1,591,120</b>	<b>2,390,350</b>
<b>Loss from Operations</b>	<b>(1,591,120)</b>	<b>(2,390,350)</b>
<b>Other Expenses (Income)</b>		
Foreign exchange loss	-	70
Exploration arrangement fee (Note 6)	-	(15,000)
	-	(14,930)
<b>Net Loss and Comprehensive Loss for the year</b>	<b>\$ (1,591,120)</b>	<b>\$ (2,375,420)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.02)</b>	<b>\$ (0.06)</b>
<b>Weighted average number of common shares outstanding, basic and diluted</b>	<b>92,872,889</b>	<b>42,396,447</b>

**POWER GROUP PROJECTS CORP.**  
**Consolidated Statements of Changes in Shareholders' Equity**  
**For the years ended January 31**  
*(Expressed in Canadian dollars, except share amounts)*

	Number of common shares	Share capital	Contributed surplus	Deficit	<b>Total</b>
<b>Balance at January 31, 2021</b>	<b>15,860,562</b>	<b>\$21,754,825</b>	<b>\$1,659,632</b>	<b>\$(23,381,940)</b>	<b>\$32,517</b>
Shares issued for cash	19,999,998	\$674,264	\$525,736	-	1,200,000
Shares issued for Muddy Gullies	12,900,000	903,000	-	-	903,000
Shares issued for Altin West	24,000,000	840,000	-	-	840,000
Share issuance costs	-	(32,940)	-	-	(32,940)
Broker warrants issued	-	(43,449)	43,449	-	-
Share-based compensation	-	-	75,057	-	75,057
Net loss for the period	-	-	-	(2,375,420)	(2,375,420)
<b>Balance - January 31, 2022</b>	<b>72,760,560</b>	<b>\$24,095,700</b>	<b>\$2,303,874</b>	<b>\$(25,757,360)</b>	<b>\$642,214</b>
Shares issued for Muddy Gullies	600,000	21,000	-	-	21,000
Shares issued for Rizz and Icefall	46,200,000	924,000	-	-	924,000
Share-based compensation	-	-	34,900	-	34,900
Net loss for the period	-	-	-	(1,591,120)	(1,591,120)
<b>Balance - January 31, 2023</b>	<b>119,560,560</b>	<b>25,040,700</b>	<b>2,338,774</b>	<b>\$(27,348,480)</b>	<b>30,994</b>

**POWER GROUP PROJECTS CORP.**  
**Consolidated Statements of Cash Flows**  
**For the years ended January 31,**  
*(Expressed in Canadian dollars)*

	2023	2022
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss for the year	\$ (1,591,120)	\$ (2,375,420)
Items not affecting cash		
Depreciation	2,145	2,144
Share-based compensation	34,900	75,057
Shares issued for mineral properties	945,000	1,743,000
	<b>(609,075)</b>	<b>(555,219)</b>
Net changes in non-cash working capital		
Prepaid expenses and sundry receivable	14,871	(32,622)
Accounts payable and accrued liabilities	(8,562)	(76,775)
<b>Net cash used in operating activities</b>	<b>(602,766)</b>	<b>(664,616)</b>
<b>Investing activities</b>		
Loans to related parties	-	153,962
<b>Cash provided by investing activities</b>	<b>-</b>	<b>153,962</b>
<b>Financing activities</b>		
Issuance of common shares (net of share issuance costs)	-	1,167,060
<b>Cash provided by financing activities</b>	<b>-</b>	<b>1,167,060</b>
<b>Net change in cash</b>	<b>(602,766)</b>	<b>656,406</b>
<b>Cash, beginning of year</b>	<b>677,085</b>	<b>20,679</b>
<b>Cash, end of year</b>	<b>\$ 74,319</b>	<b>\$ 677,085</b>

**1. NATURE OF BUSINESS, CONTINUANCE OF OPERATIONS AND GOING CONCERN**

a) Nature of Operations

Power Group Projects Corp. (formerly Cobalt Power Group Inc.), (the “**Company**”) was incorporated under the BC Business Corporations Act on December 14, 2009, and is listed on the TSX Venture Exchange (“**TSX:V**”) under the symbol “PGP”.

The Company maintains its head office and registered office at 999 West Hastings Street, Suite 520, Vancouver, British Columbia V6C 2W2.

The Company’s principal business activity is the acquisition and exploration of resource properties. The Company presently has no proven or probable reserves, and on the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. Consequently, the Company considers itself to be an exploration stage company.

b) Continuation of Operations and Going Concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year.

The Company incurred a comprehensive loss for the year ended January 31, 2023, of \$1,591,120 (2022: \$2,375,420). As at January 31, 2023, the Company had cash of \$74,319 (January 31, 2022: \$677,085), working capital of \$25,991 (January 31, 2022: \$635,066) and an accumulated deficit of \$27,348,480 (January 31, 2022: \$25,757,360) and expects to incur further losses in the development of its business. The Company’s ability to continue operations in the normal course of business is dependent upon establishing sufficient cash flows from their exploration projects or on the receipt of additional debt or equity financing. The nature and significance of these conditions, along with the continuing losses and accumulated deficit, creates a material uncertainty that casts significant doubt about the appropriateness of the going concern assumption. These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the financial statements. Such adjustments could be material.

**2. BASIS OF PRESENTATION**

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These consolidated financial statements were authorized for issue by the Board of Directors on May 30, 2023.

b) Basis of Consolidation

These consolidated financial statements of the Company include the transactions and balances of its subsidiaries, Canadian Cobalt Projects Inc., Little Trout Cobalt Development Corp., Ontario Cobalt Property Developers Inc., Western Cobalt Corp., Pallplat Metals Inc., 1311516 B.C. Ltd. and 1315843 B.C. Ltd., which are wholly-owned subsidiaries incorporated in Canada. The Company consolidates its subsidiaries on the basis that it controls the subsidiaries. In determining whether the Company controls each subsidiary, management is required to assess the definition of control in accordance with IFRS 10 - Consolidated Financial Statements. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. All intercompany balances, transactions, income and expenses, and profits or losses have been eliminated on consolidation.

c) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis.

In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The functional currency of the Company and its subsidiaries is the Canadian dollar, being the currency of the economic environment of the Company's operations. The functional currency is also the presentation currency.

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. 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 the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. See Note 4 for Critical Accounting Estimates and Judgments made by management in the application of IFRS.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies used in the preparation of these consolidated financial statements set out below have been applied consistently to all periods presented in all material respects.

#### **Business Combinations**

Business combinations are accounted for using the acquisition method when the acquisitions of companies and /or assets meet the definition of a business under IFRS. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of acquisition. The acquired identifiable assets and liabilities are measured initially at their fair value at the date of acquisition. The fair value of exploration and evaluation assets and property and equipment is the estimated amount for which these assets could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Any excess of the purchase price over the fair value of the identifiable assets and liabilities acquired is recognized as goodwill. If the cost of acquisition is less than fair value of the identifiable assets and liabilities, the difference is recorded as a gain in profit or loss. Associated transaction costs are expensed when incurred.

#### **Basic and Diluted Loss per Share**

Basic loss per share is computed by dividing the net loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflects the potential dilution that could occur if the dilutive securities were exercised or converted to common shares.

The dilutive effect of the options and warrants are computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share in the years presented.

#### **Mineral Property and Right Acquisition Costs**

Mining property and right acquisition costs include the cash consideration and the fair market value of shares issued for mineral property interests pursuant to the terms of the relevant agreements. These costs are expensed as incurred.

#### **Exploration and Evaluation Expenditures**

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition cost of mineral properties, property payments and evaluation activities. Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to its mineral properties and, to the best of its knowledge, the title to its properties are in good standing.

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Share-Based Payments**

Equity-settled share-based payments for directors, officers, employees and consultants are measured at fair value using the Black-Scholes option valuation model at the stock option grant date and recorded as an expense in the financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed using the graded vesting method over the vesting period based on the Company's estimate of the number of shares that will eventually vest. Consideration paid by optionees on the exercise of stock options together with their initially recognized fair values is credited to share capital.

Compensation expense on stock options granted to consultants is measured at the earlier of the completion of performance and the date the options are vested at the fair value of the goods and services received and are recorded as an expense in the same period as if the Company had paid cash for the goods or services received. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by the use of the Black-Scholes option-pricing model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value of shares issued to acquire exploration and evaluation assets are based on the fair value of the goods and services received. If the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or services.

**Share Capital**

Share issue costs

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issue costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issue costs related to uncompleted share subscriptions are charged to operations.

Value of warrants

Proceeds from unit placements are allocated between shares and warrants using the relative fair value approach to calculate the fair value allocation between common shares and share purchase warrants. The value of unit warrants and compensatory warrants issued to brokers is determined by using the Black-Scholes model.

**Income Taxes**

Income tax expense comprises of current and deferred tax. Current and deferred taxes are recognized in the statement of operations except to the extent that it relates to a business combination or items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current income taxes are the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period and any adjustment to tax payable in respect of previous years.

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income Taxes**

Deferred tax assets and liabilities are recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is to be settled. At the end of each reporting year end the Company reassesses unrecognized deferred tax assets and liabilities. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to do so and when the deferred tax balances relate to the same taxation authority.

**Financial Instruments**

Financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

Financial instruments are classified into one of the following three measurement categories: fair value through profit or loss ("FVTPL"), amortized cost and fair value through other comprehensive income ("FVTOCI"). Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. Transaction costs on financial instruments classified as FVTPL are expensed as incurred. Transaction costs on financial instruments classified as FVTOCI are initially included in the carrying amounts of the financial instrument and subsequently recorded in other comprehensive income at the next remeasurement. Transaction costs related to financial instruments measured at amortized cost are included in the carrying amounts of the financial instruments and amortized over the life of the instrument by the effective interest rate method.

Upon initial recognition, all financial instruments are recorded on the consolidated statements of financial position at their fair value. After initial recognition, the financial instruments are measured at their fair value, if categorized as FVTPL or FVTOCI, or amortized cost (using the effective interest method). Changes in the fair value of FVTPL financial instruments are recognized in operations for the year and changes in the fair value of FVTOCI financial instruments are recognized in other comprehensive income for the year.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

As at January 31, 2023, the Company does not have any derivative financial liabilities.

Below is a summary showing the classification and measurement basis of the Company's financial instruments.

	Classification
Cash	Amortized cost
Sundry receivable	Amortized cost
Related party loans	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Impairment**

Financial assets

At each balance sheet date, on a forward-looking basis, the Company assesses the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment model does not apply to FVTPL instruments. The expected credit losses are required to be measured through loss allowance at an amount equal to the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). A loss allowance for the full lifetime expected credit losses are required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

**Decommissioning Provision**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of tangible long-lived assets when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized to the amount of the related asset along with a corresponding increase in the decommissioning provision in the period incurred. Provisions are determined by discounting the risk-adjusted expected future cash flows to take into consideration risks and uncertainties involving the transaction. The discounting occurs using a risk-free pre-tax rate that reflects the time value of money and is used to calculate the net present value. The decommissioning cost is depreciated on the same basis as the related asset. The liability is progressively increased each period as the effect of discounting unwinds, creating a finance expense recognition in the statement of operations.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. The Company's estimates are reviewed at each reporting date for changes in regulatory requirements, effects of inflation and changes in estimates. These changes are recorded directly to the related asset with a corresponding entry to the rehabilitation provision. Currently, the Company has no decommissioning provision obligations.

**Leases**

This standard requires the recognition of lease contracts, with exceptions for certain short-term leases and leases of low-value assets, on a lessee's statement of financial position as a 'right-of-use asset' and a lease liability reflecting future lease payments. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively.

The Company has elected to apply the available exemptions for short-term leases and leases of low-value assets. Leases whose initial term is 12 months or less are charged directly to profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Leases**

The lease liability is initially recognized as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's applicable incremental borrowing rate. The incremental borrowing rate is the rate which the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset. The Company includes the estimated extension of their leases in the lease term in assessing the present value of future lease payments. The lease liability is subsequently measured by reducing the carrying amount to reflect lease payments made and to reflect any reassessments or modifications.

The right-of-use asset is initially measured at cost, which comprises the amount of the initial measurement of the lease liability and any lease payments made at or before the commencement date. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated in accordance with the Company's accounting policy for property, plant and equipment. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

**Property and Equipment**

Items of property and equipment are initially recognized at cost. As well as the purchase price, cost includes other directly attributable costs and the estimated present value of any future costs of dismantling and removing items. All items of equipment are subsequently carried at depreciated cost less impairment losses, if any.

Depreciation is provided on all items of other equipment to write off the carrying value of items over their expected useful economic lives. It is applied using the declining balance method at the following rates:

- Computer Equipment – 20% per annum
- Field Equipment – 30% per annum
- Furniture and Equipment – 20% per annum
- Trailer – 30% per annum

Material residual value estimates and estimates of useful life are updated as required, but at least annually. When events or changes in the economic environment indicate a risk of impairment to property and equipment, an impairment test is performed to determine whether the carrying amount of the asset or group of assets under consideration exceeds its or their recoverable amount. Recoverable amount is defined as the higher of an asset's fair value (less costs of disposal) and its value in use. Value in use is equal to the present value of future cash flows expected to be derived from the use and sale of the asset.

#### **4. USE OF ESTIMATES AND JUDGMENTS**

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements are as follows:

(i) Share-based compensation expense:

The Company uses the Black-Scholes option-pricing model to determine the fair value of options in order to calculate share-based compensation expense. The Black-Scholes model involves six key inputs to determine the fair value of an option: risk-free interest rate, exercise price, the market price at the date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company's control. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of share-based compensation expense.

(ii) Valuation of compensatory warrants:

The Company uses the Black-Scholes option-pricing model to calculate the fair value of compensatory warrants. The Black-Scholes model requires six key inputs to determine a value for warrants: risk-free interest rate, exercise price, the market price at the date of issue, expected dividend yield, expected life and expected volatility. Certain of the inputs are estimates which involve considerable judgment and are or could be, affected by significant factors that are out of the Company's control.

(iii) Collectability of related party receivables:

Management makes an assessment of whether the related party receivables are collectable for each recipient based on the payment history and financial condition of the counterparty. These estimates are continuously evaluated and updated.

(iv) Business Combinations

In accordance with IFRS 3 – Business Combination (“IFRS 3”), a transaction is recorded as a business combination if the significant assets, liabilities, or activities, in addition to property, assumed constitute a business. A business is defined as an integrated set of activities and assets, capable of being conducted and managed for the purpose of providing a return, lower costs, or other economic benefits. Where there are no such integrated activities, the transaction is treated as an asset acquisition. The estimation of the fair value of the assets and liabilities acquired in an acquisition is subject to judgement concerning estimating market values and predicting future events. These values are uncertain and can materially impact the carrying value of the acquired assets and the amount allocated to goodwill, if applicable.

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**4. USE OF ESTIMATES AND JUDGMENTS (Continued)**

(v) Going concern:

The Company's management has made an assessment of the Company's ability to continue as a going concern, and the consolidated financial statements continue to be prepared on a going concern basis. The Company has no sources of revenue and remains dependent on its ability to obtain financing, which may cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

(vi) Deferred tax assets:

Deferred tax assets are recognized in respect of tax losses and other temporary differences to the extent it is probable that taxable income will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future tax planning strategies.

**5. PROPERTY AND EQUIPMENT**

	Trailer	Furniture and Equipment	Computer Equipment	Field Equipment	Total
<b>Cost</b>					
Balance at January 31, 2021	7,001	3,500	8,109	26,220	44,830
Additions	-	-	-	-	-
Balance at January 31, 2022	7,001	3,500	8,109	26,220	44,830
Additions	-	-	-	-	-
<b>Balance at January 31, 2023</b>	<b>\$7,001</b>	<b>\$3,500</b>	<b>\$8,109</b>	<b>\$26,220</b>	<b>\$44,830</b>
<b>Accumulated Depreciation</b>					
Balance at January 31, 2021	4,043	1,571	3,704	26,220	35,538
Depreciation for the year	957	386	801	-	2,144
Balance at January 31, 2022	5,000	1,957	4,505	26,220	37,682
Depreciation for the year	858	386	901	-	2,145
<b>Balance at January 31, 2023</b>	<b>\$5,858</b>	<b>\$2,343</b>	<b>\$5,406</b>	<b>\$26,220</b>	<b>\$39,827</b>
<b>Carrying Amounts</b>					
As at January 31, 2021	\$2,958	\$1,929	\$4,405	-	\$9,292
As at January 31, 2022	\$2,001	\$1,543	\$3,604	-	\$7,148
<b>Balance at January 31, 2023</b>	<b>\$1,143</b>	<b>\$1,157</b>	<b>\$2,703</b>	<b>-</b>	<b>\$5,003</b>

## **6. EXPLORATION AND EVALUATION**

### **Ontario Cobalt**

The Company acquired Ontario Cobalt Property Developers Inc. ("Ontario Cobalt") on June 4, 2018, a privately-held mineral exploration company that held 14 strategically-located mineral claims in the Gillies Limit Township of Ontario. The purchase was accomplished by the Company acquiring all of the issued and outstanding shares of Ontario Cobalt in exchange for the issuance of 1,500,000 common shares of the Company to the existing shareholders of Ontario Cobalt. At closing, the shareholders of Ontario Cobalt received a 2.5% net smelter royalty, of which one-and-one-half percent (1.5%) may be purchased by the Company at any time that is on or before the seventh (7<sup>th</sup>) anniversary of the Effective Date in consideration of a \$1,000,000 cash payment. During the year ended January 31, 2023, the Company allowed these claims to lapse and no longer holds the rights to this property.

### **Smith-Cobalt Property**

On October 23, 2017, the Company entered into an agreement to acquire thirty-three patented mining claims located near Cobalt, Ontario, through the acquisition of Canadian Cobalt Projects Inc. Consideration for the acquisition comprised of the issuance of 2,995,000 common shares. The vendors also received a 1.5% net smelter royalty, 75% of which may be purchased by the Company for \$1,000,000 in cash. On September 2, 2016, the Company entered into a property option agreement to acquire mining claims located near Cobalt, Ontario. Consideration for the acquisition comprised of staged payments aggregating \$25,000 and the issuance of 150,000 common shares. The agreement is subject to a 2% NSR. The Company has the right to purchase one-half of the NSR (1%) for \$1,000,000. During the year ended January 31, 2023, the Company allowed these claims to lapse and no longer holds the rights to this property.

### **RJK Exploration Ltd.**

The Company entered into an agreement with RJK Exploration Ltd. ("RJK") to pursue kimberlite targets that RJK may identify on the Company's claims in the Cobalt, Ontario area. The term of the agreement will be for a period of three years from the date of acceptance. RJK will pay a fee of \$32,000 cash per year for three years for a total of \$96,000 to the Company to enter into an agreement whereby RJK will have the right to identify, sample and drill test with one diamond drill hole any identified potential kimberlite targets ("Phase One").

Should RJK choose to continue exploration following Phase One on any identified target, then RJK and the Company will enter into a Participating Joint-Operating Agreement whereby RJK would have a 60% interest, and the Company would have a 40% interest. RJK would then provide the Company with a Phase Two exploration budget, at which time, the Company will have 60 days to agree to participate.

RJK will create a Mining Management Committee for the purpose of allowing all parties to understand the exploration plans better. This includes a review of budgets, proposed work and the hiring of consultants. Should the Company decide not to participate, it will be reduced to a carried 1.5% GORR of which fifty percent (0.75%) can be purchased for a cash payment of \$1,000,000.

Should RJK find mineralized zones other than kimberlites during Phase One, the structure of the agreement would revert to 50% for RJK and 50% for the Company, with RJK being the operator. RJK would then provide the Company with a Phase Two exploration budget, at which time, the Company would have 60 days to agree to participate. Should the Company agree to participate, a Management Mining Committee would be established. If the Company decides not to participate, then it will be reduced to a 1.5% NSR of which 50% (0.75%) may be purchased for \$1,000,000.

**6. EXPLORATION AND EVALUATION (Continued)**

**RJK Exploration Ltd.**

Subject to Phase Two and exploration by RJK, a two-kilometre area of interest surrounding the identified target, subject to claim availability, would be made available by the Company for exploration and development. Should the Company or any of its agents find economic minerals other than diamonds, then these claims on notice to RJK would be exempt from RJK having an interest.

At January 31, 2023, RJK has not renewed the options for the claim blocks, and as a result, the Company has received \$nil option payments for the year (2022 - \$15,000). As such, RJK option for these claims have been terminated.

**Muddy Gullies Property**

The Company acquired Pallplat Metals Inc. ("Pallplat"), a privately-held mineral exploration company in Newfoundland, Canada on April 13, 2021. As consideration for the Transaction, the Company issued an aggregate of 11,700,000 common shares in the capital of the Company (each, a "Common Share") at a price of \$0.07 per Common Share, being the closing market price on the date of closing, to the Vendors.

In connection with the Transaction, the Company entered into a mining option agreement (the "Option Agreement") with an effective date of April 7, 2021, with the Prospectus Alliance Syndicate (the "Syndicate") whereby the Syndicate granted an option (the "Option") to the Company to acquire a 100% undivided interest the Muddy Gullies PGE Property in Newfoundland, Canada (the "Property"). In order to exercise the Option, the Company is required to: (i) pay an initial deposit of \$20,000, which has been paid by Pallplat, and additional cash payments of \$20,000 payable on each of the first three anniversaries of the Option Agreement; (ii) issue 1,200,000 Common Shares upon receipt of the approval of the TSX Venture Exchange (the "TSXV"), which have been issued, and an additional 600,000 Common Shares to be issued on each the first three anniversaries of the Option Agreement, and (ii) incur \$800,000 in expenditures in respect of the Property over a three-year period.

In the event that the Option is exercised, the Company will grant a 2% net smelter returns royalty ("NSR") in favour of the Syndicate, subject to the ability of the Company to purchase 0.75% of the NSR (resulting in the remaining NSR being 1.25%) for a purchase price of \$1,250,000 at any time before the commencement of commercial production on the Property.

The Property is located 28 kilometres northeast of the town of Gander, NL. Route 330 affords easy access to the Property as does Muddy Gullies access road which runs east from route 330. The Property comprises 83 claim units covering approximately 20.73 square kilometres.

Subsequent to the year, the Company has terminated the agreement and as such no longer has rights to this property.

**6. EXPLORATION AND EVALUATION (Continued)**

**Atlin West Property**

On December 8, 2021, the Company acquired 1315843 B.C. Ltd. (“BCCo”) a privately-held exploration company in British Columbia, Canada, whose sole asset is an option agreement dated August 9, 2021, with Cloudbreak Discovery PLC and Cloudbreak Discovery (Canada) Ltd. (collectively “Cloudbreak”), whereby BCCo has the option to earn a 100% interest in certain mineral claims in the province of British Columbia the Atlin West project (the “Property”).

As consideration for the transaction, the Company: (i) issued an aggregate of 24 million common shares in the capital of the company, at a price of \$0.035 per common share, being the closing market price on the date of closing, to the vendors; (ii) a cash payment in the amount of \$50,000 (paid); and (iii) a cash payment in the amount of \$50,000 to BCCo or as BCCo may direct, upon closing of the transaction (paid).

Under the terms of the option agreement, BCCo may exercise the option to acquire a 100% interest in the Property upon payment of an aggregate of \$325,000 in cash payments, issuing 8,000,00 common shares (option shares) and incurring an aggregate of \$700,000 in expenditures on the Property as follows:

**Option Payments**

- A \$50,000 option payment on the effective date (paid)
- A \$50,000 option payment on the date which BCCo enters into a binding agreement with a third party in connection with a transaction that will result in shareholders of BCCo holding shares in a reporting issuer as defined under Canadian securities laws that is listed on a recognized Canadian stock exchange (paid)
- A \$75,000 option payment on or before the second anniversary of the effective date
- A \$150,000 option payment on or before the third anniversary of the effective date

**Expenditures**

- Incurring \$150,000 in expenditures on or before the first anniversary of the effective date
- Incurring an additional \$200,000 in expenditures or before the second anniversary of the effective date
- Incurring an additional \$350,000 in expenditures or before the third anniversary of the effective date

**Option Shares**

- 3,000,000 Option Shares on the signing of a go public agreement (issued)
- 2,500,000 Option Shares on the second anniversary of the Effective Date
- 2,500,000 Option Shares on the third anniversary of the Effective Date

The Company has not been able to fulfil the expenditure requirement of incurring \$150,000 on or before the first anniversary of the effective date. Cloudbreak has agreed to allow the Company to hold onto this option until further notice, however, Cloudbreak still has the legal right to serve a notice of default at any time in which the Company has 30 days to remediate before the option agreement is terminated.

**6. EXPLORATION AND EVALUATION (Continued)**

**Rizz and Icefall Properties**

On August 29, 2022, the Company has acquired all of the issued and outstanding common shares of 1311516 B.C. Ltd. ("1311516") a private company incorporated under the laws of the Province of British Columbia, whose sole assets are option agreements dated February 25, 2022 and March 3, 2022 (the "Option Agreements") with Cloudbreak Discovery PLC ("Cloudbreak") and Cloudbreak Discovery (Canada) Ltd. (together with Cloudbreak, the "Optionor"), whereby 1311516 has the option (the "Option") to acquire a 75% interest in certain mineral claims in the Province of British Columbia (the "Rizz Project" and the "Icefall Project").

As consideration for the Transaction, the Company issued an aggregate of 46,200,000 common shares in the capital of the Company (the "Common Shares"), at a price of \$0.02 per Common Share, being the closing market price on the date of closing, to the Vendors. Upon close of the Transaction, 1311516 became a wholly owned subsidiary of the Company and the Company assumed all obligations owing to the Optionor under the Option Agreements.

As the only material asset of 1311516 is the mining option agreement described below, the acquisition does not meet the definition of a business combination and has been accounted for as an asset acquisition

Under the terms of the Rizz Option Agreement, 1311516 may exercise the Rizz Option to acquire a 75% interest in the Rizz Project upon payment of an aggregate of \$120,000 in cash payments (the "Rizz Option Payments") and incurring an aggregate of \$750,000 in expenditures (the "Rizz Expenditures") on the Rizz Project as follows:

Option Payments

- a \$25,000 Rizz Option Payment on February 25, 2022 (paid);
- a \$25,000 Rizz Option Payment on a go-public transaction;
- a \$20,000 Rizz Option Payment on or before the first anniversary of the Rizz Effective Date and;
- a \$50,000 Rizz Option Payment on or before the second anniversary of the Rizz Effective Date and

Expenditures

- incurring \$50,000 in Rizz Expenditures on or before the first anniversary of the Rizz Effective Date
- incurring an additional \$200,000 in Rizz Expenditures or before the second anniversary of the Rizz Effective Date; and
- incurring an additional \$500,000 in Rizz Expenditures or before the third anniversary of the Rizz Effective Date.

Under the terms of the Icefall Option Agreement, 1311516 may exercise the Icefall Option to acquire a 75% interest in the Icefall Project upon payment of an aggregate of \$120,000 in cash payments (the "Icefall Option Payments") and incurring an aggregate of \$700,000 in expenditures (the "Icefall Expenditures") on the Icefall Project as follows:

Option Payments

- a \$25,000 Icefall Option Payment on March 3, 2022 (paid);
- a \$25,000 Icefall Option Payment on a go-public transaction;
- a \$20,000 Icefall Option Payment on or before the first anniversary of the Icefall Effective Date and;
- a \$50,000 Icefall Option Payment on or before the second anniversary of the Icefall Effective Date

**6. EXPLORATION AND EVALUATION (Continued)**

**Rizz and Icefall Properties**

Expenditures

- incurring \$50,000 in Icefall Expenditures on or before the first anniversary of the Icefall Effective Date;
- incurring an additional \$150,000 in Icefall Expenditures or before the second anniversary of the Icefall Effective Date and;
- incurring an additional \$500,000 in Icefall Expenditures or before the third anniversary of the Icefall Effective Date.

The Company has not been able to fulfil the option payments and expenditure requirements on or before the first anniversary of the effective date. Cloudbreak has agreed to allow the Company to hold onto this option until further notice, however, Cloudbreak still has the legal right to serve a notice of default at any time in which the Company has 30 days to remediate before the option agreement is terminated.

**7. SHARE CAPITAL**

*a) Authorized, issued and outstanding*

An unlimited number of common shares without par value. As at January 31, 2023, the Company has 119,560,560 common shares outstanding.

On August 29, 2022 the Company issued 46,200,000 common shares in the capital of the Company, at a price of \$0.02 per Common Share, to acquire the Rizz and Icefall properties (note 6).

On April 6, 2022, the Company issued 600,000 common shares in the capital of the Company, at a price of \$0.035 per Common Share, in connection to the Muddy Gullies property option agreement (note 6).

On December 23, 2021, the Company issued 24,000,000 common shares in the capital of the Company at a deemed price of \$0.035 per Common Share, to acquire the Atlin West property (note 6).

On June 21, 2021, the Company closed a non-brokered private placement through the issuance of 19,999,998 units ("Unit") at a price of \$0.06 per Unit for aggregate gross proceeds of \$1,200,000 (the "Placement"). Each Unit is comprised of one common share ("Common Share") in the capital of the Company and one Common Share purchase warrant ("Warrant") of the Company. Each Warrant shall entitle the holder thereof to acquire one Common Share at a price of \$0.12 per Common Share for a period of three (3) years from the closing date (the "Closing Date") of the Placement. All securities issued pursuant to the Placement will be subject to a hold period of four months plus a day from the date of issuance and the resale rules of applicable securities legislation. The Company paid a finder's fee commission of \$32,940 and issued 549,000 broker warrants. Net proceeds of the Placement will be used for general working capital purposes. The Company used the fair value approach to calculate the fair value allocation between common shares and share purchase warrants. The Company has calculated the fair value of the warrants issued of \$525,736 using the Black-Scholes valuation model with the variables in Note 7b, which is recorded in contributed surplus.

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**7. SHARE CAPITAL** (Continued)

a) *Authorized, issued and outstanding*

On April 13, 2021 the Company issued 11,700,000 common shares in the capital of the Company, at a deemed price of \$0.07 per Common Share, to acquire the Muddy Gullies property (note 6).

On April 13, 2021 the Company issued 1,200,000 common shares in the capital of the Company, at a deemed price of \$0.07 per Common Share, for the anniversary share payments for the Muddy Gullies property (note 6).

b) *Warrants*

During fiscal 2022, 19,999,998 warrants were granted pursuant to the private placement. 549,000 finder's warrants valued at \$43,449 were also issued in connection with the transaction. The fair value of warrants granted is estimated on the grant date using the Black-Scholes option-pricing model using the following variables:

	January 31, 2023	January 31, 2022
Risk-free interest rate	-	0.62%
Expected warrant life in years	-	3.00
Expected stock price volatility	-	186.6%
Expected dividend rate	-	0%
Exercise price	-	\$0.12
Fair value per warrant	-	\$0.08
Stock price at grant date	-	\$0.09

A summary of the changes in the share purchase warrants for the year ended January 31, 2023 compared to the year ended January 31, 2022 are as follows:

	Number	Weighted Average Exercise Price
Balance at January 31, 2021	-	-
Issued in private placement	19,999,998	\$0.12
Issued as brokers warrants	549,000	\$0.12
Balance at January 31, 2022	20,548,998	\$0.12
<b>Balance at January 31, 2023</b>	<b>20,548,998</b>	<b>\$0.12</b>
<b>Exercisable at January 31, 2023</b>	<b>20,548,998</b>	<b>\$0.12</b>

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**7. SHARE CAPITAL** (Continued)

*c) Stock Options*

The Company has a fixed stock option plan which follows the policies of the TSX-V regarding stock option awards granted to directors, officers, employees and consultants. The stock option plan allows a maximum of 10% of the issued shares to be reserved for issuance under the plan. The options can be granted for a maximum of 5 years and vest as determined by the Board of Directors.

On April 13, 2021 (the "Grant Date"), the Company has granted stock options (collectively, the "Options") to management and consultants to purchase up to 1,500,000 common shares of the Company (each, a "Share"), pursuant to the Company's Stock Option Plan. The Options are exercisable at an exercise price of \$0.10 per share and are valid for a period of five years from the Grant Date. Options vest: (i) 25% shall vest on the date that is six months from the Grant Date; (ii) 25% shall vest on the first anniversary of the Grant Date; (iii) 25% shall vest on the date that is eighteen months from the Grant Date; and (iv) 25% shall vest on the second anniversary of the Grant Date. On June 21, 2021, the Company granted an additional 200,000 options to a consultant with the same vesting and expiry terms as the aforementioned April 13, 2021 grant.

During the year ended January 31, 2023, the Company recognized a share-based compensation expense of \$34,900 (2022 – \$75,057) representing the fair value of options granted and vested. The fair value of options granted is estimated on the grant date using the Black-Scholes option-pricing model using the following weighted-average variables:

	January 31, 2023	January 31, 2022
Risk-free interest rate	-	0.94-0.97%
Expected option life in years	-	5.00
Expected stock price volatility	-	162.3%
Expected dividend rate	-	0%
Exercise price	-	\$0.10
Weighted average fair value per option	-	\$0.07
Stock price at grant date	-	\$0.08

Stock options for the period ended January 31, 2023 and, 2022 are:

	Number	Weighted Average Exercise Price
Balance at January 31, 2021	-	-
Granted	1,700,000	\$0.10
<b>Balance at January 31, 2022</b>	<b>1,700,000</b>	<b>\$0.10</b>
Expired/forfeited	(200,000)	\$0.10
<b>Balance at January 31, 2023</b>	<b>1,500,000</b>	<b>\$0.10</b>
<b>Exercisable at January 31, 2023</b>	<b>1,075,000</b>	<b>\$0.10</b>

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**7. SHARE CAPITAL** (Continued)

c) *Stock Options*

Number of Options	Weighted Average Exercise Price	Remaining Life (In Years)	Expiry Date
1,300,000	0.10	3.20	April 13, 2026
200,000	0.10	3.39	June 21, 2026
<b>1,500,000</b>	<b>0.10</b>	<b>3.23</b>	

**8. RELATED PARTY TRANSACTIONS**

Related parties include key management personnel and companies under the control of key management personnel. Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Board and corporate officers, including the Company's Chief Executive Officer, Chief Financial Officer, and Chief Operating Officer.

At January 31, 2023, included in accounts payable and accrued liabilities is \$17,850 (January 31, 2022 – \$6,044) owing to companies controlled by either a director or an officer. These amounts payable are non-interest bearing, unsecured and have neither specific terms nor a date of repayment.

During the years ended January 31, 2023, and 2022, key management compensation consisted of the following:

<b>For the years ended</b>	<b>January 31, 2023</b>	January 31, 2022
Consulting and management fees	<b>\$ 240,000</b>	\$ 162,207
Share-based compensation	<b>16,837</b>	45,929
	<b>\$ 256,837</b>	\$ 208,136

In addition to the amounts disclosed above, the Company has also made loans to third-party corporations that, at the time, shared common key management personnel. As at January 31, 2023, and 2022, the balance of loans are as follows:

<b>For the years ended</b>	<b>January 31, 2023</b>	January 31, 2022
<b>Pedro Resource Ltd.</b>	<b>101,133</b>	<b>101,133</b>
<b>Allowance for doubtful accounts</b>	<b>(101,133)</b>	<b>(101,133)</b>
<b>Net loans receivable</b>	<b>-</b>	<b>-</b>

These loans are non-interest bearing and have no fixed terms of repayment.

## **9. CAPITAL RISK MANAGEMENT**

The Company considers its capital structure to consist of shareholders' equity. 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, exploration and development of mineral properties. The Board does not establish quantitative returns on capital criteria for management.

The mineral properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. Additional sources of funding, which may not be available on favourable terms, if at all, include share equity and debt financings; equity, debt or property level joint ventures; and sale of interests in existing claims. In order to carry out the planned exploration and development and pay for operating expenses, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended January 31, 2023. The Company is not subject to externally imposed capital requirements. The Company's investment policy is to invest its surplus cash in highly liquid short-term interest-bearing investments, all held within major Canadian financial institutions.

## **10. FINANCIAL INSTRUMENTS**

The Company is exposed in varying degrees to a variety of financial instrument-related risk. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

### **(a) Fair values**

For the Company's financial instruments, including cash, sundry receivable, related party receivables, accounts payable and accrued liabilities, the carrying amounts approximate fair value due to their immediate or short-term maturity.

### **(b) Currency risk**

The Company currently does not have any significant exposure to foreign currency risk.

### **(c) Credit risk**

Credit risk arises from cash held with banks and financial institutions and the risk that the counterparty of related party receivables will default on its contractual obligations resulting in a financial loss to the Company. The maximum exposure to credit risk is equal to the carrying value of the financial assets. To reduce credit risk, cash is held at major financial institutions.

### **(d) Liquidity risk**

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company has a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company tries to ensure sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. Currently, the Company's source of funding is from the issuance of equity securities for cash, primarily through private placements. As at January 31, 2023, the Company had cash of \$74,319 (January 31, 2022 - \$677,085) and accounts payable and accrued liabilities of \$71,682 (January 31, 2022 - \$80,244).

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**11. INCOME TAXES**

(a) Rate Reconciliation

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	<b>January 31, 2023</b>	January 31, 2022
Loss before income taxes	\$ (1,591,120)	\$ (2,375,420)
Statutory rate	27.0%	27.0%
Income tax provision at the statutory rate	<b>(429,603)</b>	(641,363)
Effect of income of:		
Share-based compensation	9,423	20,265
Share issue costs	-	(20,625)
Other	1,404,283	580
Change in deferred taxes not recognized	<b>(984,103)</b>	641,143
Provision for income taxes	<b>\$ -</b>	<b>\$ -</b>

(b) Deferred Income Taxes

The following deferred tax assets (liabilities) are not recognized in the consolidated financial statements due to the unpredictability of future income:

	<b>January 31, 2023</b>	January 31, 2022
Resource properties	\$ 834,995	\$ 4,190,546
Non-capital losses carried forward	4,480,860	2,122,767
Share issue costs and other	53,404	40,049
Equipment, intangibles and other assets	7,261	7,261
Less: Deferred taxes not recognized	<b>(5,376,520)</b>	(6,360,623)
	<b>\$ -</b>	<b>\$ -</b>

The Company estimates that it will have approximately \$16,598,000 of non-capital losses carried forward, which may be utilized to reduce Canadian taxable income in future years. To the extent they are not utilized, the non-capital losses carried forward expire as follows:

Expiry	Non-capital losses
2030	\$ 13,000
2031	84,000
2032	191,000
2033	300,000
2034	279,000
2035	224,000
2036	475,000
2037	593,000
2038	2,018,000
2039	8,172,000
2040	926,000
2041	366,000
2042	2,566,000
2043	391,000
	<b>\$ 16,598,000</b>