



FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED OCTOBER 31, 2022

(Expressed in Canadian Dollars)

(Unaudited)

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 Company's independent auditor 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 interim financial statements by an entity's auditor.

Table of Contents

Condensed Interim Statements of Financial Position (unaudited)	4
Condensed Interim Statements of Loss and Comprehensive Loss (unaudited)	5
Condensed Statements of Changes in Equity (unaudited)	6
Condensed Interim Statements of Cash Flows (unaudited)	7
Notes to the Financial Statements	8
1. Nature of operations.....	8
2. Significant accounting standards and basis of preparation	8
3. Prepaid expenses	10
4. Exploration and evaluation assets	10
5. Deferred acquisition costs	13
6. Share capital.....	15
7. Related party transactions and balances.....	19
8. Commitments	20
9. Segmented information	20
10. Capital management.....	20
11. Financial instruments.....	20

Tactical Resources Corp.

Condensed Interim Statements of Financial Position (unaudited)

(Expressed in Canadian Dollars)

	As at	October 31,	July 31,
	Note(s)	2022	2022
		\$	\$
ASSETS			
Current assets			
Cash		1,601,142	2,314,839
GST receivable		113,097	94,142
Prepaid expenses	3	490,462	392,949
		2,204,701	2,801,930
Non-current assets			
Equipment		5,126	5,792
Exploration and evaluation assets	4	268,760	265,130
Deferred acquisition costs	5	210,000	210,000
		483,886	480,922
TOTAL ASSETS		2,688,587	3,282,852
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	121,180	297,142
TOTAL LIABILITIES		121,180	297,142
EQUITY			
Share capital	6	7,410,662	6,565,319
Share subscription received	6	-	175,278
Reserves	6	1,352,782	1,354,501
Deficit		(6,196,037)	(5,109,388)
TOTAL EQUITY		2,567,407	2,985,710
TOTAL LIABILITIES AND EQUITY		2,688,587	3,282,852
Nature of operations	1		
Commitments	4, 8		
Segmented information	9		

These unaudited condensed interim financial statements were approved for issue by the Board of Directors and signed on its behalf by:

“Ranjeet Sundher”

Ranjeet Sundher, Director

“Matt Chatterton”

Matt Chatterton, Director

Tactical Resources Corp.

Condensed Interim Statements of Loss and Comprehensive Loss (unaudited)

(Expressed in Canadian Dollars)

	Note(s)	For the three months ended	
		October 31, 2022	October 31, 2021 (Restated - Note 2)
		\$	\$
Expenses			
Consulting fees	7	175,126	203,831
Depreciation		666	952
Foreign exchange loss		19,227	6,122
General and administrative costs		59,966	73,863
Property investigation costs	5	113,110	39,762
Professional fees	7	57,835	106,867
Share-based payments	6, 7	19,850	-
Investor relations	3	621,972	229,334
Transfer agent, regulatory and listing fees		18,665	30,167
Travel		232	6,238
		(1,086,649)	(697,136)
Net loss and comprehensive loss		(1,086,649)	(697,136)
Basic and diluted loss per share for the period attributable to common shareholders		(0.03)	(0.05)
Weighted average number of common shares outstanding			
- basic and diluted		35,202,246	14,357,500

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

Tactical Resources Corp.

Condensed Statements of Changes in Equity (unaudited)
(Expressed in Canadian Dollars)

	Share capital						Total
	Note(s)	Number of	Amount	Share	Reserves	Accumulated	
		shares		subscription			
			\$	received	\$	\$	\$
Balance as at July 31, 2022		28,042,725	6,565,319	175,278	1,354,501	(5,109,388)	2,985,710
Shares issued for cash - warrants exercise	6	7,631,755	823,774	(175,278)	-	-	648,496
Reclassification of grant-date fair value on exercise of warrants	6	-	21,569	-	(21,569)	-	-
Share-based payments	6, 7	-	-	-	19,850	-	19,850
Net loss and comprehensive loss		-	-	-	-	(1,086,649)	(1,086,649)
Balance as at October 31, 2022		35,674,480	7,410,662	-	1,352,782	(6,196,037)	2,567,407
Balance as at July 31, 2021		14,357,500	310,490	-	5,338,148	(970,829)	4,677,809
Shares issued for cash - special warrants exercise	6	5,713,000	5,063,850	-	(5,063,850)	-	-
Shares issued for exploration and evaluation assets and deferred acquisition costs	2, 4, 6	50,000	44,500	-	-	-	44,500
Shares issued for deferred acquisition costs	2, 5, 6	1,050,000	210,000	-	-	-	210,000
Net loss and comprehensive loss		-	-	-	-	(697,136)	(697,136)
Balance as at October 31, 2021		21,170,500	5,628,840	-	274,298	(1,667,965)	4,235,173

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

Tactical Resources Corp.

Condensed Interim Statements of Cash Flows (unaudited)

(Expressed in Canadian Dollars)

	Note(s)	For the three months ended	
		October 31, 2022	October 31, 2021 (Restated - Note 2)
		\$	\$
Cash flows from OPERATING ACTIVITIES			
Net loss for the period		(1,086,649)	(697,136)
<i>Adjustments for items not affecting cash:</i>			
Depreciation		666	952
Share-based payments	6, 7	19,850	-
Net changes in non-cash working capital items			
GST receivable		(18,955)	(25,669)
Prepaid expenses		(97,513)	(633,409)
Accounts payable and accrued liabilities		(175,962)	(97,475)
Cash flow used in operating activities		(1,358,563)	(1,452,737)
INVESTING ACTIVITIES			
Purchase of equipment		-	(2,215)
Option payments on exploration and evaluation assets	4	-	(20,000)
Exploration costs on exploration and evaluation assets	4	(3,630)	(117,704)
Cash flow used in investing activities		(3,630)	(139,919)
FINANCING ACTIVITIES			
Proceeds on exercise of warrants	6	648,496	-
Cash flow from financing activities		648,496	-
Decrease in cash		(713,697)	(1,592,656)
Cash, beginning of period		2,314,839	4,617,481
Cash, end of period		1,601,142	3,024,825
Supplementary cash flow information			
Reclassification of grant-date fair value on exercise of stock warrants from reserves to share capital	6	21,569	-
Fair value of common shares issued on conversion of special warrants	6	-	5,063,850
Reclassification of the fair value of warrants issued	6	-	169,877
Shares issued for exploration and evaluation assets	4, 6	-	44,500
Shares issued for deferred acquisition costs	5, 6	-	210,000
Cash paid during the period for interest		-	-
Cash paid during the period for income taxes		-	-

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

Tactical Resources Corp.

Notes to the Financial Statements

For The Three Months Ended October 31, 2022

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

Tactical Resources Corp. (formerly DJ1 Capital Corp.) (the “Company”) was incorporated under the Business Corporations Act of British Columbia on June 25, 2018 as DJ1 Capital Corp. On March 25, 2021, the Company changed its name to Tactical Resources Corp. The principal business of the Company is exploration and development of Rare Earth Elements (“REE”). The Company’s registered and records office address is located at 1055 West Georgia Street, 1500 Royal Centre, PO Box 11117, Vancouver, BC V6E 4N7.

On March 14, 2022 (the “Listing Date”), the Company listed on the Canadian Securities Exchange (the “CSE”) under the symbol “RARE”.

Going concern

At October 31, 2022, the Company has not generated revenue from operations, has an accumulated deficit of \$6,196,037 (July 31, 2022 – \$5,109,388) and a working capital deficit of \$2,083,521 (July 31, 2022 – \$2,504,788), and expects to incur further losses in the exploration and evaluation of its mineral properties. These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has not yet determined whether its mineral properties contain economically recoverable reserves. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the confirmation of economically recoverable reserves, the Company’s ability to obtain adequate financing to develop the reserves, and its ability to generate revenues and cash flows from profitable operations in the future. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern. The junior mining industry is considered speculative in nature which could make the Company more difficult to fund.

The 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 as a going concern.

COVID-19

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

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION

Statement of compliance to International Financial Reporting Standards

These unaudited condensed interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These financial statements comply with International Accounting Standard 34, Interim Financial Reporting.

Tactical Resources Corp.

Notes to the Financial Statements

For The Three Months Ended October 31, 2022

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Basis of preparation

These unaudited condensed interim financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended July 31, 2022.

These unaudited condensed interim financial statements were authorized for issue by the Board of Directors on December 21, 2022.

Restatement of consolidated financial information for the three months ended October 31, 2021

During the year ended July 31, 2022, the Company reclassified the shares issued and finders' fees paid on Sierra Blanca Quarry Project as deferred acquisition costs and expensed the associated expenditures as property investigation costs; as a result of the revision, the Company restated the financial information for the three months ended October 31, 2021 to reflect the effect of the revision.

The following table summarizes the impact of the statements of loss and comprehensive loss for the three months ended October 31, 2021 and the statement of cash flow for the three months ended October 31, 2021:

Effect on statements of loss and comprehensive loss

	For the three months ended October 31, 2021		
	As previously presented	Change	As restated
	\$	\$	\$
Property investigation costs	-	39,762	39,762
Loss for the period	(657,374)	(39,762)	(697,136)
Total comprehensive loss	(657,374)	(39,762)	(697,136)

Effect on statements of cash flows

	For the three months ended October 31, 2021		
	As previously presented	Change	As restated
	\$	\$	\$
OPERATING ACTIVITIES			
Loss for the period	(657,374)	(39,762)	(697,136)
Cash flow used in operating activities	(1,412,975)	(39,762)	(1,452,737)
INVESTING ACTIVITIES			
Exploration costs on exploration and evaluation assets	(157,466)	39,762	(117,704)
Cash flow used investing activities	(179,681)	39,762	(139,919)
Supplementary cash flow information			-
Shares issued for exploration and evaluation assets	254,500	(210,000)	44,500
Shares issued for deferred acquisition costs	-	210,000	210,000

There were no changes in cash flows provided by financing activities.

Tactical Resources Corp.

Notes to the Financial Statements

For The Three Months Ended October 31, 2022

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

Recent Accounting Pronouncements

The Company has not identified any new accounting pronouncements that are likely to have a material impact on these unaudited condensed interim financial statements.

New Accounting Standards and Interpretations

There were no recently adopted accounting standards with a material impact to the financial statements during the three months ended October 31, 2022.

3. PREPAID EXPENSES

Prepaid expenses consist of amounts paid in advance for services which will be amortized over the term of the contract.

During the year ended July 31, 2021, the Company entered into an arms-length agreement with a company for marketing services. The Company paid \$628,412 (US\$500,000) in consideration for the marketing services. These amounts were initially classified as prepaid expenses and will be expensed when the services are provided. As of October 31, 2022, \$nil remains in prepaid expenses as vendor deposits (July 31, 2022 – \$329,673).

During the three months ended October 31, 2022, the Company entered into an arms-length agreement with a company for marketing services. The Company paid \$594,996 (US\$450,000) in consideration for the marketing services. These amounts were initially classified as prepaid expenses and will be expensed when the services are provided. As of October 31, 2022, \$412,367 remains in prepaid expenses as vendor deposits.

4. EXPLORATION AND EVALUATION ASSETS

	Lac Ducharme Property \$
Balance as of July 31, 2022	265,130
Exploration expenditures	
Technical studies	3,630
Balance as of October 31, 2022	268,760

SAM Property

On August 26, 2020, and as amended on December 30, 2020 and June 21, 2021, the Company entered into a property option agreement (the "Taiga Agreement") with Taiga Gold Corp. (CSE:TGC) ("Taiga"). Taiga holds a 100% interest in a series of mineral claims located in the Amisk Lake region in the Province of Saskatchewan (the "SAM Property"). Pursuant to the Taiga Agreement, the Company has an option to earn 60% interest in the SAM Property (the "SAM Option"), subject to a 2% net smelter returns royalty ("NSR"). The Company has the right, at any time prior to commencing commercial production from the SAM Property, to reduce the NSR from 2% to 1% in consideration for a one-time payment to Taiga of \$1,000,000.

Tactical Resources Corp.

Notes to the Financial Statements

For The Three Months Ended October 31, 2022

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

SAM Property (continued)

In order to exercise the SAM Option, the Company is required to list its shares on any Canadian stock exchange (the “Going Public Transaction”), make cash and share payments to Taiga, and incur property expenditures as follows:

- Cash payment of \$10,000 (paid) upon entering a letter of intent with Taiga;
- Cash payment of \$20,000 (paid) upon the execution of the Taiga Agreement;
- Cash payment of \$20,000 (paid), and the issuance of 150,000 common shares of the Company (issued with a fair value of \$30,000) upon completing the Going Public Transaction, or on December 24, 2020, whichever is earlier;
- Cash payment of \$20,000 (paid) and the issuance of 50,000 common shares of the Company (issued with fair value of \$44,500) and incurring \$100,000 in expenditures on the SAM Property (incurred) on or before September 30, 2021;
- Issuance of 200,000 shares of the Company by the earlier of first anniversary of the Going Public Transaction or March 31, 2022 (issued with a fair value of \$188,000);
- Cash payment of \$60,000, issuance of an additional 200,000 common shares of the Company and incurring a further \$600,000 in expenditures on the SAM Property by the earlier of the eighteen-month anniversary of the Going Public Transaction or September 30, 2022;
- Cash payment of \$100,000, issuance of an additional 200,000 common shares of the Company and incurring a further \$800,000 in expenditures on the SAM Property by the earlier of the thirty-month anniversary of the Going Public Transaction or September 30, 2023;
- Cash payment of \$270,000 (or issuing the equivalent value in shares at the election of Taiga), issuance of an additional 200,000 common shares of the Company and incurring a further \$1,000,000 in expenditures on the SAM Property by the earlier of the forty-two-month anniversary of the Going Public Transaction or September 30, 2024; and
- Incurring a further \$1,500,000 in expenditures on the SAM Property by the earlier of the fifty-four-month anniversary of the Going Public Transaction or September 30, 2025.

In executing the Taiga Agreement, during the year ended July 31, 2021, the Company issued 200,000 common shares with a fair value of \$3,400 for finder’s fees, which have been capitalized to exploration and evaluation assets.

During the three months ended October 31, 2022, the Company decided to terminate the Taiga Agreement with the consent of Taiga; as a result, during the year ended July 31, 2022, the Company impaired the carrying value of the SAM Property and recognized an impairment loss of \$520,729 in the statement of loss and comprehensive loss.

Tactical Resources Corp.

Notes to the Financial Statements

For The Three Months Ended October 31, 2022

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Lac Ducharme Project

On March 1, 2021 (the "LDP Effective Date"), the Company entered into a property option agreement (the "DIG Agreement") with Doctors Investment Group Ltd. ("DIG") which 100% owned the Lac Ducharme Project (the "Lac Ducharme Project"). Pursuant to the DIG Agreement, the Company has an option to earn 100% interest in the Lac Ducharme Project (the "LDP Option"), subject to a 3% NSR. The Lac Ducharme Project is located in Quebec, Canada.

To exercise the LDP Option, the Company is required to make a total cash payment of \$60,000 and issue 510,000 common shares of the Company to DIG as follows:

	Cash payment (\$)	Common shares (#)
On or before the date that is seven days after the LDP Effective Date	30,000 (paid)	60,000 (issued with fair value of \$12,000)
On or before the date that is fourteen months after the LDP Effective Date	30,000 (paid)	100,000 (issued with fair value of \$81,000)
On or before the date that is twenty-eight months after the LDP Effective Date	-	350,000

In addition, the Company is also required to incur \$750,000 in expenditures (the "LDP E&E Expenditures") on Lac Ducharme Project, which was amended on April 29, 2022 as follows:

	Pre-Amendment (\$)	Post-Amendment (\$)
On or before the date that is fourteen months after the LDP Effective Date	250,000	45,000 (incurred)
On or before the date that is twenty months after the LDP Effective Date	-	55,000 (incurred)
On or before the date that is twenty-eight months after the LDP Effective Date	500,000	650,000

At any time during the term of the DIG Agreement, the Company shall have the right to accelerate the cash payments, share issuances or expenditures.

The Company shall have the right to purchase one-third of the NSR from DIG at any time after the LDP Option has been exercised for a one-time consideration of \$1,000,000.

In executing the DIG Agreement, during the year ended July 31, 2021, the Company issued 10,000 common shares with a fair value of \$2,000 for finder's fees which have been capitalized to exploration and evaluation assets. These shares are subject to an escrow arrangement.

Tactical Resources Corp.

Notes to the Financial Statements

For The Three Months Ended October 31, 2022

(Expressed in Canadian Dollars)

5. DEFERRED ACQUISITION COSTS

Sierra Blanca Quarry Project

On July 14, 2021, the Company entered into an assignment and assumption agreement (the “SBQ Assignment Agreement”) with Peak 6891 LLC (“Peak”). Peak is party to an agreement dated June 1, 2021 with Sierra Blanca Quarry, LLC (“SBQ LLC”), Dennis Walker and Becky Dean Walker (the “SBQ Offtake Agreement”), pursuant to which Peak was granted the rights to acquire certain crushed ore and tailings materials extracted by SBQ LLC from the Sierra Blanca Quarry, located in Hudspeth County in the State of Texas. Pursuant to the Assignment Agreement, on August 11, 2021, (the “SBQ Closing Date”), Peak assigned all of its rights and obligations under the Offtake Agreement to the Company.

In consideration for the SBQ Assignment Agreement, on the SBQ Closing Date, the Company issued 1,000,000 common shares (the “SBQ Consideration Shares”) with a fair value of \$200,000, which have been capitalized to deferred acquisition costs. The SBQ Consideration Shares issued are subject to an escrow arrangement (Note 6 – Escrow Agreement). As of October 31, 2022 and July 31, 2022, the Company has not completed the acquisition of crushed ore or tailings materials and accordingly the costs incurred are recorded as deferred acquisition costs.

As further consideration for the SBQ Assignment Agreement, following the SBQ Closing Date, the Company is committed to the following additional payments which will be satisfied through the issuance of common shares of the Company (collectively, the “SBQ Milestone Shares”):

- \$250,000 upon receipt by the Company or any affiliate of a building permit and completion of construction bid set, including applicable specifications for construction, execution, operation and commercial production, for a facility (a “SBQ Processing Facility”) to process material acquired by the Company pursuant to the SBQ Offtake Agreement, or any successor agreement;
- \$156,250 for each US\$2,000,000 of government grants received by the Company or any affiliate, in connection with the development and operation of the SBQ Processing Facility, to a maximum of \$1,171,875 provided that the final payment will be reduced in the event the maximum threshold has been reached;
- \$50,000 for each US\$2,000,000 of government loan guarantees received by the Company or any affiliate, in connection with the development and operation of the SBQ Processing Facility, to a maximum of \$625,000, provided that the final payment will be reduced in the event the maximum threshold has been reached;
- \$500,000 upon the Company or any affiliate reaching a decision to commence commercial production of HREE oxides or other refined metals at the SBQ Processing Facility; and
- \$250,000 upon the Company or any affiliate entering into a binding agreement to acquire commercial offtake material produced by the SBQ Processing Facility.

In addition, on July 14, 2021, in connection with the SBQ Assignment Agreement, the Company entered into an agreement (“SBQ Finders’ Fee Agreement”) with Oasis SB Inc. (“Oasis”) that introduced the transaction contemplated by the SBQ Assignment Agreement and assisted the Company in facilitating the transaction. Pursuant to the SBQ Finders’ Fee Agreement, the Company agreed to issue 50,000 common shares of the Company (the “Oasis Finders’ Shares”) to Oasis for the services provided. The Oasis Finders’ Shares were issued during the year ended July 31, 2022 with a fair value of \$10,000, which have been included in capitalized deferred acquisition costs.

The Oasis Finders’ Shares issued are subject to an escrow arrangement (Note 6 – Escrow Agreement).

Tactical Resources Corp.

Notes to the Financial Statements

For The Three Months Ended October 31, 2022

(Expressed in Canadian Dollars)

5. DEFERRED ACQUISITION COSTS (CONTINUED)

Sierra Blanca Quarry Project (continued)

On July 30, 2021, the Company and SBQ LLC entered into a purchase and sale agreement ("SBQ P&S Agreement") to replace the Offtake Agreement. SBQ LLC owns and operates a surface metal mine that specializes in rhyolite, granite and other similar igneous rock, that is located in Sierra Blanca, Texas.

SBQ LLC has generated a stockpile located on the Surface Area that contains a minimum of 4 million tons of tailings (the "Tailings"). SBQ LLC has agreed to sell to the Company, the Tailings, in amounts selected by SBQ LLC, in its sole discretion, all on and subject to the terms and conditions of the SBQ P&S Agreement.

Delivery Schedule

- (i) A maximum of 45 days after commercial production decision and before November 30 of each calendar year, SBQ LLC shall advise the Company of the amount of Tailings that shall be available for purchase. The Company also has the option to purchase additional Tailings mined from the premises as and when the same become available on the same terms and conditions as set forth in the SBQ Agreement.
- (ii) A maximum of 15 days after the date set forth in Delivery Schedule (i) above, the Company shall advise SBQ LLC of the amount of Tailings the Company shall purchase for the remainder of the calendar year, or the upcoming calendar year, subject to the following maximum amounts:
 - 600,000 tons in Calendar Year 2021,
 - 1,300,000 tons in Calendar Year 2022,
 - 1,300,000 tons in Calendar Year 2023, and
 - 1,300,000 tons in Calendar Year 2024.

During the years ended July 31, 2022 and 2021, no Tailings were purchased by the Company.

On May 13, 2022, the Company entered into an amendment of the SBQ Assignment P&S Agreement (the "Amended SBQ Assignment P&S Agreement") to provide an option to the Company to purchase all of the membership interest of SBQ LLC or partially of the membership interest of SBQ LLC with the consent of Dennis Walker and Becky Dean Walker on or before July 31, 2026. The purchase price of the membership interest of SBQ LLC will be determined by the Company and SBQ LLC based on the fair market value of SBQ LLC.

During the three months ended October 31, 2022, the Company expensed \$113,110 in property investigation costs related to the Sierra Blanca Quarry Project (October 31, 2021 – \$39,762 (Note 2)). These costs were incurred to evaluate the Sierra Blanca Quarry Project and to assess the potential of processing the Tailings into rare earth metals.

Tactical Resources Corp.

Notes to the Financial Statements

For The Three Months Ended October 31, 2022

(Expressed in Canadian Dollars)

6. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At October 31, 2022, the Company had 35,674,480 (July 31, 2021 – 28,042,725) common shares issued and outstanding of which 14,860,000 common shares are subject to an escrow arrangement (Note 6 – Escrow Agreement).

During the three months ended October 31, 2022

- 7,631,755 warrants were exercised for proceeds of \$823,773 of which \$175,278 was received during the year ended July 31, 2022. In addition, the Company reclassified the grant date fair value of the exercised warrants of \$21,569 from warrants reserve to share capital.

During the three months ended October 31, 2021

- As discussed in Note 5, on August 11, 2021, the Company issued 1,000,000 SBQ Consideration Shares with a fair value of \$200,000 pursuant to the SBQ Assignment Agreement.
- As discussed in Note 5, on August 11, 2021, the Company issued 50,000 Oasis Finders' Shares with a fair value of \$10,000 pursuant to the SBQ Finders' Fee Agreement.
- On September 14, 2021, the Company issued 5,713,000 units upon exercise of the special warrants which were issued on May 13, 2021. The Company reclassified the proceeds of \$5,287,745, net of issuance costs of \$425,255, from reserves to share capital.

Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles its holder to purchase one additional common share at an exercise price of \$2.50 at any time prior to September 14, 2023.

For accounting purposes, the Company estimated the grant date fair value of warrants issued with the exercise of the special warrants, using the Black-Scholes option pricing model, assuming a risk-free interest rate of 0.39%, an expected life of 2 years, an expected volatility of 108% and an expected dividend yield of 0%, which totaled \$223,895, and recorded this value in warrants reserve. Volatility is calculated based on the volatility of companies of similar size in the junior mining sector. The value attributed to the warrants was based on their relative fair value as compared to the fair value of the common shares. The remaining balance of \$5,063,850 was recorded as common shares.

- As discussed in Note 4, on September 30, 2021, the Company issued 50,000 common shares with fair value of \$44,500 pursuant to the Taiga Agreement.

Tactical Resources Corp.

Notes to the Financial Statements

For The Three Months Ended October 31, 2022

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (CONTINUED)

Warrants

The following table summarizes the changes in warrants outstanding during the three months ended October 31, 2022:

	Number outstanding	Weighted average exercise price (\$)
Balance, beginning of period	20,197,080	0.53
Exercised	(7,631,755)	0.11
Expired	(9,368,040)	0.25
Balance, end of period	3,197,285	2.37

During the three months ended October 31, 2022, 9,368,040 warrants expired unexercised.

No warrants were granted, exercised or cancelled during the three months ended October 31, 2021.

The following summarizes information about warrants outstanding as of October 31, 2022:

Expiry date	Exercise price (\$)	Warrants outstanding	Estimated grant date fair value (\$)	Weighted average remaining contractual life (in years)
May 13, 2023	1.25	340,785	9,386	0.53
May 13, 2023	2.50	2,856,500	223,498	0.53
		3,197,285	232,884	0.53

Incentive Plan

On July 14, 2022, the Board of Directors adopted an omnibus incentive plan as a 20% rolling plan (the "Plan"), pursuant to which the Company may grant stock options and restricted share units ("RSUs") to the Company's directors, officers, employees, and consultants.

Under the Plan, the number of stock options that may be issued is limited to no more than 10% of the Company's issued and outstanding shares immediately prior to the grant. The exercise price of each stock option shall equal the market price of the Company's shares, less any applicable discount, as calculated on the date of grant. Stock options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors.

Under the Plan, the number of RSUs that may be issued is limited to no more than 10% of the Company's issued and outstanding shares immediately prior to the grant. The RSUs will be subject to any restriction imposed by the Board of Directors.

Tactical Resources Corp.

Notes to the Financial Statements

For The Three Months Ended October 31, 2022

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (CONTINUED)

Incentive Plan (continued)

- **Stock Options**

The following table summarizes the changes in warrants outstanding during the three months ended October 31, 2022:

	Number outstanding	Weighted average exercise price (\$)
Balance, beginning of period	1,900,000	1.04
Granted	100,000	1.04
Balance, end of period	2,000,000	1.04

On September 29, 2022, the Company granted a total of 100,000 stock options to certain consultants of the Company in accordance with the Plan. The options vest immediately and are exercisable at a price of \$1.04 for a period of twenty-four months.

No options were granted, exercised or cancelled during the three months ended October 31, 2021.

The estimated grant date fair value of the options granted during the three months ended October 31, 2022 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

Number of options granted	100,000
Risk-free interest rate	3.76%
Expected annual volatility	96%
Expected life (in years)	2.00
Expected dividend yield	0%
Grant date fair value per option (\$)	0.20
Share price at grant date (\$)	0.55

During the three months ended October 31, 2022, the Company recognized share-based payments expense arising from stock options of \$19,850 (October 31, 2021 – \$nil).

The following summarizes information about stock options outstanding and exercisable as at October 31, 2022:

Expiry date	Exercise price (\$)	Options outstanding	Options exercisable	Estimated grant date fair value (\$)	Weighted average remaining contractual life (in years)
March 15, 2024	1.04	1,900,000	1,900,000	1,090,679	1.38
September 24, 2024	1.04	100,000	100,000	19,850	1.90
Weighted average exercise price (\$)		1.04	1.04		

Tactical Resources Corp.

Notes to the Financial Statements

For The Three Months Ended October 31, 2022

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (CONTINUED)

Incentive Plan

- **RSUs**

No RSUs were granted, exercised or cancelled during the three months ended October 31, 2022 and 2021.

As of October 31, 2022 and July 31, 2022, no RSUs were issued and outstanding.

Escrow Agreement

Certain common shares and warrants issued by the Company are subject to either an escrow agreement entered into on February 28, 2022 (the “Escrow Agreement”), or contractual restrictions on transfer. Those common shares and warrants will be released from escrow as follows:

- For the 13,800,000 common shares issued in connection with the non-brokered private placement financing completed on August 3, 2020, 13,371,850 common shares which are held by non-related parties of the Company are subject to a 12-month escrow, with 20% of such common shares released from escrow on the Listing Date, with an additional 20% of the Common Shares released from escrow every three months thereafter.

428,150 common shares which are held by related parties of the Company are subject to a 36-month escrow pursuant to the Escrow Agreement, with 10% of such common shares released from escrow on the Listing Date, with an additional 15% of the Common Shares released from escrow over the 36-months following the Listing Date.

- Shares issued through the exercise of the 13,800,000 warrants issued in connection with the non-brokered private placement financing completed on August 3, 2020, 13,372,475 warrants which are held by non-related parties of the Company are subject to an escrow arrangement for four months from the Listing Date, with 20% of the securities released from escrow on the Listing Date and an additional 20% every month thereafter.

427,525 warrants which are held by related parties of the Company are subject to a 36-month escrow pursuant to the Escrow Agreement, with 10% of such common shares released from escrow on the Listing Date, with an additional 15% of the Common Shares released from escrow over the 36-months following the Listing Date.

- The 9,772,020 warrants issued on April 16, 2021 are subject to an escrow arrangement for a period of twelve months from the Listing Date, during which time the warrants, and any common shares issued upon the exercise of the warrants, may not be traded, transferred, assigned or otherwise encumbered without the prior consent of the CSE.
- The 1,000,000 SBQ Consideration Shares and the 50,000 Oasis Finders’ Shares (Note 4) are subject to a contractual escrow arrangement such that 20% of such shares will be released on August 11, 2022 and an additional 20% every three months thereafter.

Tactical Resources Corp.

Notes to the Financial Statements

For The Three Months Ended October 31, 2022

(Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions

The Company's related parties as defined by IAS 24, Related Party Disclosures, include the following directors, executive officers, key management personnel, and enterprises which are controlled by these individuals:

<u>Related Party</u>	<u>Relationship</u>
Ranjeet Sundher	CEO and Director
Alnesh Mohan	CFO
Matt Chatterton	Director
Kuljit (Jeet) Basi	Director
J. Garry Clark	Director
Mark Mukhija	Director
Abhishek Tamot	Former Director
1323552 BC Ltd.	A company in which the CEO is a principal
Quantum Advisory Partners LLP	A partnership in which the CFO is a partner
SVK Metrix Inc.	A company in which a director is a principal
Pine Tree Partners Inc.	A company in which a former director is a principal

The following table discloses the total compensation incurred to the Company's key management personnel during the three months ended October 31, 2022 and 2021:

	<u>For the three months ended</u>	
	<u>October 31, 2022</u>	<u>October 31, 2021</u>
	<u>\$</u>	<u>\$</u>
Ranjeet Sundher, CEO and Director		
Consulting fees ⁽¹⁾	30,000	30,000
Alnesh Mohan, CFO		
Professional fees ⁽²⁾	26,520	26,520
Kuljit (Jeet) Basi, Director		
Consulting fees ⁽³⁾	30,000	26,400
Abhishek Tamot, Former Director		
Consulting fees ⁽⁴⁾	-	15,000
Total	86,520	97,920

(1) Paid to 1323552 BC Ltd.

(2) Paid to Quantum Advisory Partners LLP. Fees consist of CFO, financial reporting and accounting support services.

(3) Paid to SVK Metrix Inc.

(4) Paid to Pine Tree Partners Inc.

Related party balances

The balances due to the Company's directors and officers included in accounts payable and accrued liabilities were \$45,196 as at October 31, 2022 (July 31, 2022 – \$89,222). These amounts are unsecured, non-interest bearing and payable on demand.

Tactical Resources Corp.

Notes to the Financial Statements

For The Three Months Ended October 31, 2022

(Expressed in Canadian Dollars)

8. COMMITMENTS

The Company is committed to certain cash payments and share issuances under the property option agreements as described in Note 4.

9. SEGMENTED INFORMATION

The Company operates in one single reportable segment, being the acquisition and exploration of mineral resource properties.

As of October 31, 2022 and July 31, 2022, all of the Company's non-current assets are located in Canada.

10. CAPITAL MANAGEMENT

The Company defines its components of shareholders' equity as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue business opportunities and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust capital structure, the Company may consider issuing new shares, and/or issue debt, acquire or dispose of assets, or adjust the amount of cash on hand.

There have been no changes to the Company's approach to capital management at any time during the three months October 31, 2022. The Company is not subject to externally imposed capital requirements.

11. FINANCIAL INSTRUMENTS

Fair value

The carrying values of cash and accounts payable approximate their fair values due to the relatively short period to maturity of those financial instruments.

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

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

Level 3: Inputs that are not based on observable market data.

As at October 31, 2022 and July 31, 2022, the financial instrument recorded at fair value on the consolidated statement of financial position is cash which is measured using Level 1 of the fair value hierarchy.

As at October 31, 2022 and July 31, 2022, there were no financial assets or liabilities measured and recognized in the consolidated statement of financial position at fair value that would be categorized as Level 2 and 3 in the fair value hierarchy above.

Tactical Resources Corp.

Notes to the Financial Statements

For The Three Months Ended October 31, 2022

(Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value (continued)

Set out below are the Company's financial assets and financial liabilities by category:

	October 31, 2022	FVTPL \$	Amortized costs \$	FVTOCI \$
ASSETS				
Cash	1,601,142	1,601,142	-	-
LIABILITIES				
Accounts payable	121,180	-	121,180	-
	July 31, 2022	\$	\$	\$
ASSETS				
Cash	2,314,839	2,314,839	-	-
LIABILITIES				
Accounts payable	297,142	-	297,142	-

Financial risk management

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk includes cash.

The Company's cash is held at a large Canadian financial institution in interest bearing accounts. The Company has no investments in asset-backed commercial paper.

The Company's maximum exposure to credit risk is the carrying value of its financial assets.

Management believes that the credit risk concentration with respect to these financial instruments is remote. Cash based in Canada is accessible.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due.

The Company's expected source of cash flow in the upcoming year will be through equity financings.

At October 31, 2022, the Company had cash of \$1,601,142 and accounts payable of \$121,180. All accounts payable are current.

Tactical Resources Corp.

Notes to the Financial Statements

For The Three Months Ended October 31, 2022

(Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Market risk

The significant market risks to which the Company is exposed are interest rate risk, currency risk, other price risk, and commodity price risk.

- Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As of October 31, 2022, the Company's cash is placed in an interest-free account at a Canadian chartered bank and does not hold any variance interest-bearing debt; as a result, the Company is not subject to any risks due to the fluctuation of the interest rate.

- Currency risk

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars ("CA\$"). The Company has not entered into any foreign currency contracts to mitigate the risk.

The Company's accounts payable is held in CA\$ and United States dollars ("US"); therefore, US accounts are subject to fluctuation against the CA\$.

The Company's financial instruments were denominated as follows as at October 31, 2022:

	CA\$	US\$
Cash	1,601,142	-
Accounts payable	(107,550)	(9,998)
	1,493,592	(9,998)
Rate to convert to \$1.00 CA\$	1.00	1.36
Equivalent to CA\$	1,493,592	(13,630)

Based on the above net exposures as at October 31, 2022, and assuming that all other variables remain constant, a 10% change of the CA\$ against the US would change profit or loss by approximately \$1,400.

- Other price risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities may be subject to risks associated with fluctuations in the market price of commodities. The Company is not exposed to significant other price risk.