



FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2022 AND 2021

(EXPRESSED IN CANADIAN DOLLARS)

INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors of Tactical Resources Corp.

Opinion

We have audited the financial statements of Tactical Resources Corp. (the "Company") which comprise the statements of financial position as at July 31, 2022 and 2021 and the statements of comprehensive loss, changes in equity, deficiency and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Basis for Opinion

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

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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 audits.

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

The engagement partner on the audit resulting in this independent auditors' report is Joseph Bonvillain.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, British Columbia

November 25, 2022

Table of Contents

Statements of Financial Position	4
Statements of Loss and Comprehensive Loss	5
Statements of Changes in Equity	6
Statements of Cash Flows	7
Notes to the Financial Statements	8
1. Nature of operations.....	8
2. Significant accounting standards and basis of preparation	8
3. Prepaid expenses	16
4. Exploration and evaluation assets	17
5. Deferred acquisition costs	20
5. Deferred acquisition costs	21
6. Share capital.....	22
7. Related party transactions and balances.....	28
8. Commitments	30
9. Segmented information	30
10. Capital management.....	30
11. Financial instruments.....	30
12. Income taxes	32
13. Subsequent events.....	33

Tactical Resources Corp.

Statements of Financial Position

(Expressed in Canadian Dollars)

	As at	July 31,	July 31,
	Note(s)	2022	2021
		\$	\$
ASSETS			
Current assets			
Cash		2,314,839	4,617,481
GST receivable		94,142	48,961
Prepaid expenses	3	392,949	62,212
		2,801,930	4,728,654
Non-current assets			
Equipment		5,792	6,240
Exploration and evaluation assets	4, 7	265,130	225,936
Deferred acquisition costs	5	210,000	-
		480,922	232,176
TOTAL ASSETS		3,282,852	4,960,830
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	297,142	283,021
TOTAL LIABILITIES		297,142	283,021
EQUITY			
Share capital	6	6,565,319	310,490
Share subscription received	6	175,278	-
Reserves	6	1,354,501	5,338,148
Deficit		(5,109,388)	(970,829)
TOTAL EQUITY		2,985,710	4,677,809
TOTAL LIABILITIES AND EQUITY		3,282,852	4,960,830
Nature of operations	1		
Commitments	4, 8		
Segmented information	9		
Subsequent events	4, 6, 13		

These 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.

Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	Note(s)	For the years ended	
		July 31, 2022	July 31, 2021
		\$	\$
Expenses			
Consulting fees	7	754,269	238,415
Depreciation		2,664	424
Foreign exchange loss (gain)		7,602	(27)
General and administrative costs		259,911	57,950
Property investigation costs	5	235,794	27,781
Professional fees	7	425,314	370,502
Share-based payments	6, 7	1,090,679	-
Investor relations	3	725,815	237,292
Transfer agent, regulatory and listing fees		84,521	12,500
Travel		31,261	6,485
		(3,617,830)	(951,322)
Other expenses			
Impairment loss on exploration and evaluation assets	4	(520,729)	-
		(520,729)	-
Net loss and comprehensive loss		(4,138,559)	(951,322)
Basic and diluted loss per share for the year attributable to common shareholders		(0.20)	(0.07)
Weighted average number of common shares outstanding			
- basic and diluted		20,632,068	14,357,500

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

Tactical Resources Corp.

 Statements of Changes in Equity
 (Expressed in Canadian Dollars)

	Note(s)	Share capital				Accumulated deficit	Total
		Number of shares	Amount	Share subscription received	Reserves		
			\$	\$	\$	\$	\$
Balance as at July 31, 2020		1	1	-	16,750	(19,507)	(2,756)
Cancellation of incorporator's shares	6	(1)	-	-	-	-	-
Proceeds from issuance of warrants	6	-	-	-	9,992	-	9,992
Proceeds from issuance of special warrants, net of cash issuance costs	6	-	-	-	5,298,495	-	5,298,495
Shares issued upon special warrants exercise	6	137,500	27,500	-	(27,500)	-	-
Shares issued for cash - private placement	6	13,800,000	235,589	-	40,411	-	276,000
Shares issued for finders' fee	6	210,000	5,400	-	-	-	5,400
Shares issued for exploration and evaluation assets	4, 6	210,000	42,000	-	-	-	42,000
Net loss and comprehensive loss		-	-	-	-	(951,322)	(951,322)
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	5,054,860	-	(5,054,860)	-	-
Shares issued for cash - warrants exercise	6	6,572,225	657,223	-	-	-	657,223
Reclassification of grant-date fair value on exercise of warrants	6	-	19,246	-	(19,246)	-	-
Shares issued for exploration and evaluation assets	4, 6	350,000	313,500	-	-	-	313,500
Shares issued for deferred acquisition costs	5, 6	1,050,000	210,000	-	-	-	210,000
Cancellation of warrants	6	-	-	-	(220)	-	(220)
Share subscriptions received in advance	6	-	-	175,278	-	-	175,278
Share-based payments	6, 7	-	-	-	1,090,679	-	1,090,679
Net loss and comprehensive loss		-	-	-	-	(4,138,559)	(4,138,559)
Balance as at July 31, 2022		28,042,725	6,565,319	175,278	1,354,501	(5,109,388)	2,985,710

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

Tactical Resources Corp.
Statements of Cash Flows
(Expressed in Canadian Dollars)

	Note(s)	For the years ended	
		July 31, 2022	July 31, 2021
		\$	\$
Cash flows from OPERATING ACTIVITIES			
Net loss for the year		(4,138,559)	(951,322)
<i>Adjustments for items not affecting cash:</i>			
Depreciation		2,664	424
Impairment loss on exploration and evaluation assets	4	520,729	-
Share-based payments	6, 7	1,090,679	-
Net changes in non-cash working capital items			
GST receivable		(45,181)	(48,961)
Prepaid expenses		(330,737)	(62,212)
Accounts payable and accrued liabilities		(26,473)	263,658
Cash flow used in operating activities		(2,926,878)	(798,413)
INVESTING ACTIVITIES			
Purchase of equipment		(2,216)	(6,664)
Option payments on exploration and evaluation assets	4	(50,000)	(80,000)
Exploration costs on exploration and evaluation assets	4	(155,829)	(98,536)
Cash flow used in investing activities		(208,045)	(185,200)
FINANCING ACTIVITIES			
Proceeds from share issuance, net of share issuance costs	6	657,223	276,000
Proceeds on issuance of warrants	6	-	9,992
Proceeds from issuance of special warrants, net of cash issuance costs	6	-	5,298,495
Share subscriptions received in advance	6	175,278	-
Cash paid for cancellation of warrants	6	(220)	-
Cash flow from financing activities		832,281	5,584,487
Increase (decrease) in cash		(2,302,642)	4,600,874
Cash, beginning of year		4,617,481	16,607
Cash, end of year		2,314,839	4,617,481
Supplementary cash flow information			
Reclassification of grant-date fair value on exercise of stock warrants from reserves to share capital	6	19,246	-
Fair value of common shares issued on conversion of special warrants	6	5,054,860	-
Payment of finder's fees through issue of common shares	6	-	5,400
Shares issued for conversion of special warrants	6	-	27,500
Reclassification of the fair value of warrants issued	6	-	40,411
Shares issued for exploration and evaluation assets	4, 6	313,500	42,000
Shares issued for deferred acquisition costs	5, 6	210,000	-
Exploration and evaluation assets included in accounts payable and accrued liabilities		40,594	-
Cash paid during the year for interest		-	-
Cash paid during the year for income taxes		-	-

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

Tactical Resources Corp.

Notes to the Financial Statements

For The Years Ended July 31, 2022 and 2021

(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 July 31, 2022, the Company has not generated revenue from operations, has an accumulated deficit of \$5,109,388 (July 31, 2021 – \$970,829) 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 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”).

The policies set out below were consistently applied to all periods presented unless otherwise noted below.

These financial statements have been prepared on a historical cost basis except for financial instruments carried at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Tactical Resources Corp.

Notes to the Financial Statements

For The Years Ended July 31, 2022 and 2021

(Expressed in Canadian Dollars)

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

Basis of preparation

These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These accounting policies set out below have been applied consistently to all years presented in these financial statements.

These financial statements were authorized for issue by the Board of Directors on November 25, 2022.

Critical accounting estimates and judgments

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

Significant estimates and judgments made by the Company that have the most significant risk of causing material misstatement to the carrying amounts of assets and liabilities are discussed below.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ.

- **Critical accounting estimates**

Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Income taxes and recoverability of potential deferred tax assets

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

Tactical Resources Corp.

Notes to the Financial Statements

For The Years Ended July 31, 2022 and 2021

(Expressed in Canadian Dollars)

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

Critical accounting estimates and Judgments (continued)

- **Critical accounting judgments**

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Determination of going concern (note 1)

The preparation of these financial statements requires management to make judgments regarding the Company's ability to continue as a going concern as discussed in Note 1.

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of the Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for based on management's judgement that the carrying amounts will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to commence and complete development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

Determination of recovery of impairment loss on exploration and evaluation assets (Note 4)

In accordance with IAS 36 "Impairment of Assets", the Company assesses at the end of each reporting period to determine if there is any indication that an impairment loss recognized in prior periods for the exploration and evaluation assets is no longer exists or has been decreased. If any such indication exists, the Company remeasure the recoverable amount of the exploration and evaluation assets and recognizes a recovery of impairment loss on exploration and evaluation assets.

Significant accounting policies

Foreign exchange

- **Translation of foreign transactions and balances into the functional currency**

Foreign currency transactions are translated into the functional currency of the underlying entity using appropriate average rates of exchange. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange in effect at the end of each reporting period. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss.

Tactical Resources Corp.

Notes to the Financial Statements

For The Years Ended July 31, 2022 and 2021

(Expressed in Canadian Dollars)

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

Significant accounting policies (continued)

Foreign exchange (continued)

- **Translation of the functional currency into the presentation currency**

The results of foreign operations which have a different functional currency of the Company are translated to Canadian dollars at appropriate average rates of exchange during the year and are included in other comprehensive income (loss). The assets and liabilities of foreign operations are translated to Canadian dollars at rates of exchange in effect at the end of the period. Gains or losses arising on translation of foreign operation's assets and liabilities to Canadian dollars at period end are recognized in accumulated other comprehensive income (loss) as a foreign currency translation adjustment. When a foreign operation is sold, such exchange differences are recognized in profit or loss as part of the gain or loss on sale.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, highly liquid investments that are readily convertible into a known amount of cash and which are subject to insignificant risk of changes in value, net of bank overdrafts which are repayable on demand. As at July 31, 2022 and 2021, the Company did not have any cash equivalents.

Financial instruments

- **Financial assets**

Classification and measurement

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The classification of debt instruments is driven by the business model for managing the financial assets and their contractual cash flow characteristics. Debt instruments are measured at amortized cost if the business model is to hold the instrument for collection of contractual cash flows and those cash flows are solely principal and interest. If the business model is not to hold the debt instrument, it is classified as FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL, for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument by-instrument basis) to designate them as at FVTOCI.

Financial assets at FVTPL – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of loss and comprehensive loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges. As of July 31, 2022 and 2021, the Company has classified its cash as FVTPL.

Tactical Resources Corp.

Notes to the Financial Statements

For The Years Ended July 31, 2022 and 2021

(Expressed in Canadian Dollars)

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

Significant accounting policies (continued)

Financial instruments (continued)

- **Financial assets (continued)**

Financial assets at FVTOCI – Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. As of July 31, 2022 and 2021, the Company has no financial assets classified as FVOCI.

Financial assets at amortized cost – Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date. As of July 31, 2022 and 2021, the Company has no financial assets classified as amortized cost.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

Derecognition of financial assets

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in profit or loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

- **Financial liabilities**

Classification and measurement

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss (FVTPL) – This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Financial liabilities at amortized cost – This category consists of liabilities carried at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. As of July 31, 2022 and 2021, the Company has classified its accounts payable as other financial liabilities.

Tactical Resources Corp.

Notes to the Financial Statements

For The Years Ended July 31, 2022 and 2021

(Expressed in Canadian Dollars)

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

Significant accounting policies (continued)

Financial instruments (continued)

- **Financial liabilities (continued)**

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of loss.

Refer to Note 10 for further disclosures.

Exploration and evaluation assets

Once the legal right to explore has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to acquisition costs. These direct expenditures include such costs as materials used, staking costs, drilling costs and payments made to contractors. Costs not directly attributable to exploration and evaluation expenditures, including general administration and overhead costs are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects for the Company, the exploration and evaluation expenditures, along with the acquisition costs, are deemed to be impaired and written off.

The Company assesses exploration and evaluation assets for impairment when the facts and circumstances suggest that the carrying amount of these assets may exceed their recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'Mines under construction'.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Impairment of non-financial assets

Non-financial assets, including exploration and evaluation assets, are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the cash-generating unit, which is the lowest group of assets in which the asset belongs for which they are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to profit or loss, except to the extent it reverses gains previously recognized in other comprehensive loss/income.

Tactical Resources Corp.

Notes to the Financial Statements

For The Years Ended July 31, 2022 and 2021

(Expressed in Canadian Dollars)

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

Significant accounting policies (continued)

Loss per share

Basic loss per share is computed by dividing the net loss applicable to the common shares by the weighted average number of common shares outstanding for the period.

Diluted loss per share is computed by dividing the net loss applicable to the common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. When losses are incurred, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

Equity

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

Costs directly attributable to the issue of new shares are recognized in equity as a deduction from the proceeds. Costs attributable to the listing of existing shares are expensed as incurred.

Upon the issuance of a unit of shares and warrants, the Company uses the relative fair value method in attributing value to each of the shares and warrants issued in a unit.

Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

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 use of a valuation 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.

Tactical Resources Corp.

Notes to the Financial Statements

For The Years Ended July 31, 2022 and 2021

(Expressed in Canadian Dollars)

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

Significant accounting policies (continued)

Share-based payments (continued)

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Equipment

Equipment is initially recognized at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognized within provisions. All items of equipment are subsequently carried at depreciated cost less impairment losses, if any.

Depreciation is provided on all items of equipment to write off the carrying value of items over their expected useful economic lives. Depreciation is provided on a straight-line basis over the estimated useful lives of the equipment at the following annual rates:

Computer equipment – 30%

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Tactical Resources Corp.

Notes to the Financial Statements

For The Years Ended July 31, 2022 and 2021

(Expressed in Canadian Dollars)

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

Significant accounting policies (continued)

Equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset as appropriate, only when it's probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replacement part is derecognized. All other repairs and maintenance are charged to the statements of loss during the financial year in which they are incurred.

Adoption of new accounting pronouncements

The Company has not adopted any new accounting pronouncements or standards that had a material impact on the financial statements.

Future accounting standards

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after August 1, 2022. The Company does not expect that any new or amended standards or interpretations that are effective for annual periods beginning on or after August 1, 2022 will have a significant impact on the Company's future results of operations or financial position.

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 July 31, 2022, \$329,673 remains in prepaid expenses as vendor deposits.

Tactical Resources Corp.

Notes to the Financial Statements

For The Years Ended July 31, 2022 and 2021

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS

	SAM Property \$	Lac Ducharme Property \$	Total \$
Balance as of July 31, 2020	-	-	-
Property payments			
- Cash	50,000	30,000	80,000
- Common shares	30,000	12,000	42,000
	80,000	42,000	122,000
Exploration expenditures (see below)	81,481	17,055	98,536
Finder's fees	3,400	2,000	5,400
Balance as of July 31, 2021	164,881	61,055	225,936
Property payments			
- Cash	20,000	30,000	50,000
- Common shares	232,500	81,000	313,500
	252,500	111,000	363,500
Exploration expenditures (see below)	103,348	93,075	196,423
Impairment	(520,729)	-	(520,729)
Balance as of July 31, 2022	-	265,130	265,130

The breakdown of the exploration expenditures on each project during the year ended July 31, 2022 and 2021 is as follows:

During the year ended July 31, 2022

	SAM Property \$	Lac Ducharme Property \$	Total \$
Assays	-	6,433	6,433
Field work	32,661	75,812	108,473
Geological	-	5,499	5,499
Licenses and permits	-	3,082	3,082
Technical studies	70,687	2,150	72,837
Transportation	-	99	99
	103,348	93,075	196,423

Tactical Resources Corp.

Notes to the Financial Statements

For The Years Ended July 31, 2022 and 2021

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

During the year ended July 31, 2021

	SAM Property	Lac Ducharme Property	Total
	\$	\$	\$
Consulting	60,000	-	60,000
Licenses and permits	560	-	560
Technical studies	20,921	17,055	37,976
	81,481	17,055	98,536

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.

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.

Tactical Resources Corp.

Notes to the Financial Statements

For The Years Ended July 31, 2022 and 2021

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

SAM Property (continued)

Subsequent to July 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.

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
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 Years Ended July 31, 2022 and 2021

(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 July 31, 2022 and 2021, 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 Years Ended July 31, 2022 and 2021

(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 year ended July 31, 2022 and 2021, the Company expensed \$235,794 and \$27,781 in property investigation costs related to the Sierra Blanca Quarry Project. 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 Years Ended July 31, 2022 and 2021

(Expressed in Canadian Dollars)

6. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At July 31, 2022, the Company had 28,042,725 (July 31, 2021 – 14,357,500) common shares issued and outstanding of which 14,860,000 common shares are subject to an escrow arrangement (Note 6 – Escrow Agreement).

During the year ended July 31, 2022

- 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.
- As discussed in Note 4, on April 7, 2022, the Company issued 200,000 common shares with fair value of \$188,000 pursuant to the Taiga Agreement.
- As discussed in Note 4, on May 1, 2022, the Company issued 100,000 common shares with fair value of \$81,000 pursuant to the DIG Agreement.
- 6,572,225 warrants were exercised for proceeds of \$657,223. In addition, the Company reclassified the grant date fair value of the exercised warrants of \$19,246 from warrants reserve to share capital.

Tactical Resources Corp.

Notes to the Financial Statements

For The Years Ended July 31, 2022 and 2021

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (CONTINUED)

Issued share capital (continued)

During the year ended July 31, 2021

- The Company cancelled the share issued to the incorporator during the year ended July 31, 2020.
- On August 3, 2020, the Company completed an offering of a non-brokered private placement financing of 13,800,000 units, which are subject to an escrow agreement (Note 6 – Escrow Agreement) for aggregate gross proceeds of \$276,000.

Each unit will consist of one common share of the Company and one common share purchase warrant, with each warrant entitling the holder thereof to purchase one additional common share of the Company at a price of \$0.10 per share for a period of twenty-four months from their date of issue.

For accounting purposes, the Company estimated the grant date fair value of warrants issued with the units, using the Black-Scholes option pricing model, assuming a risk-free interest rate of 0.25%, an expected life of 2 years, an expected volatility of 100% and an expected dividend yield of 0%, which totaled \$40,411, 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 \$235,589 was recorded as common shares.

- As discussed in Note 4, on August 15, 2020, in executing the Taiga Agreement, the Company issued 200,000 shares with a fair value of \$3,400 for finder's fees.
- As discussed in Note 4, on December 24, 2020, the Company issued 150,000 common shares with a fair value of \$30,000 pursuant to the Taiga Agreement.
- On February 28, 2021, the Company issued 137,500 common shares upon the conversion of the special warrants issued on October 27, 2020.
- As discussed in Note 4, on March 8, 2021, the Company issued 60,000 common shares with a fair value of \$12,000 pursuant to the DIG Agreement.
- As discussed in Note 4, on March 18, 2021, in executing the DIG Agreement, the Company issued 10,000 common shares with a fair value of \$2,000 for finder's fees.

Subsequent to July 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.

Tactical Resources Corp.

Notes to the Financial Statements

For The Years Ended July 31, 2022 and 2021

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (CONTINUED)

Special warrants

On October 27, 2020, the Company completed an offering of a non-brokered private placement financing of 137,500 special warrants of the Company for proceeds of \$27,500 of which \$10,750 and \$16,750 were received during the year ended July 31, 2021 and July 31, 2020, respectively. These special warrants were converted to common shares on February 28, 2021.

On May 13, 2021, the Company completed a brokered private placement financing of 5,713,000 special warrants of the Company for proceeds of \$5,713,000. Each special warrant being exercisable into, for no additional consideration, one unit of the Company. Each unit will consist of one common share of the Company and one half of one common share purchase warrant, with each whole warrant entitling the holder thereof to purchase one additional common share of the Company at a price of \$2.50 per share for a period of twenty-four months from the Listing Date. These special warrants were converted to units on September 14, 2021.

In connection with the financing of 5,713,000 special warrants, the Company issued 327,315 agent's options and 13,470 advisory warrants to the agent (collectively the "2021 Agent Warrants"), with each 2021 Agent Warrant entitling to the holder to purchase one common share of the Company at a price of \$1.25 per share until May 13, 2023.

For accounting purposes, the Company estimated the grant date fair value the 2021 Agent Warrants, using the Black-Scholes option pricing model, assuming a risk-free interest rate of 0.32%, an expected life of 2 years, an expected volatility of 100% and an expected dividend yield of 0%, which totaled \$9,387.

In addition, the Company paid \$425,255 of share issuance costs in connection to the 5,713,000 special warrant financing.

Warrants

The changes in warrants during July 31, 2022 and 2021, are as follows:

	July 31, 2022		July 31, 2021	
	Number outstanding	Weighted average exercise price (\$)	Number outstanding	Weighted average exercise price (\$)
Balance, beginning of year	24,132,755	0.16	-	-
Issued	2,856,500	2.50	24,132,755	0.16
Exercised	(6,572,225)	0.10	-	-
Cancelled	(9,991,970)	0.20	-	-
Re-issued	9,772,020	0.25	-	-
Balance, end of year	20,197,080	0.53	24,132,755	0.16

Tactical Resources Corp.

Notes to the Financial Statements

For The Years Ended July 31, 2022 and 2021

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (CONTINUED)

Warrants (continued)

During the year ended July 31, 2022

- On November 30, 2021, at the request of the CSE, the Company revised the exercise price of the 9,991,970 warrants issued on April 16, 2021 from \$0.20 to \$0.25 and the expiry date was revised from two years from the Listing Date to October 27, 2022.

In addition, at the request of the CSE, the Company cancelled 219,950 warrants issued to the related parties of the Company and refunded the proceeds of \$220 to the warrant holders.

The remaining 9,772,020 warrants are subject to an escrow agreement (Note 6 – Escrow Agreement).

- 6,572,225 warrants were exercised for proceeds of \$657,223.
- 2,865,000 warrants were issued in connection with the exercise of the 5,713,000 special warrants.

During the year ended July 31, 2021

- 13,800,000 warrants were issued in connection with the non-brokered private placement financing completed on August 3, 2020. These warrants are subject to an escrow agreement (Note 6 – Escrow Agreement).
- On April 16, 2021, the Company completed a non-brokered private placement financing of 9,991,970 share purchase warrants at a price of \$0.001 for gross proceeds of \$9,992. Each warrant entitled the holder to purchase one common share of the Company at price of \$0.20 for a period of twenty-four months from the Listing Date.

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

<u>Expiry date</u>	<u>Exercise price (\$)</u>	<u>Warrants outstanding</u>	<u>Estimated grant date fair value (\$)</u>	<u>Weighted average remaining contractual life (in years)</u>
August 3, 2022	0.10	7,227,775	21,165	0.01
October 27, 2022	0.25	9,772,020	9,772	0.24
May 13, 2023	1.25	340,785	9,386	0.78
May 13, 2023	2.50	2,856,500	223,498	0.78
		20,197,080	263,821	0.24

Subsequent to July 31, 2022

- 7,631,755 warrants were exercised for proceeds of \$823,773.
- 9,368,040 warrants expired unexercised.

Tactical Resources Corp.

Notes to the Financial Statements

For The Years Ended July 31, 2022 and 2021

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (CONTINUED)

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.

- **Stock Options**

The changes in stock options during the years ended July 31, 2022 and 2021 are as follows:

	July 31, 2022		July 31, 2021	
	Number outstanding	Weighted average exercise price (\$)	Number outstanding	Weighted average exercise price (\$)
Balance, beginning of year	-	-	-	-
Granted	1,900,000	1.04	-	-
Balance, end of year	1,900,000	1.04	-	-

On March 15, 2022, the Company granted a total of 1,900,000 stock options to certain officers, directors and 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 year ended July 31, 2021.

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

	For the year ended	
	July 31, 2022	July 31, 2021
Number of options granted	1,900,000	N/A
Risk-free interest rate	1.74%	N/A
Expected annual volatility	105%	N/A
Expected life (in years)	2.00	N/A
Expected dividend yield	0%	N/A
Grant date fair value per option (\$)	0.57	N/A
Share price at grant date (\$)	1.04	N/A

Tactical Resources Corp.

Notes to the Financial Statements

For The Years Ended July 31, 2022 and 2021

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (CONTINUED)

Incentive Plan

- **Stock Options (continued)**

During the year ended July 31, 2022, the Company recognized share-based payments expense of \$1,090,679 (July 31, 2021 – \$nil) of which \$57,404 (July 31, 2021 – \$nil) was capitalized as exploration and evaluation assets.

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

<u>Expiry date</u>	<u>Exercise price (\$)</u>	<u>Options outstanding</u>	<u>Options exercisable</u>	<u>Estimated grant date fair value (\$)</u>	<u>Weighted average remaining contractual life (in years)</u>
March 15, 2024	1.04	1,900,000	1,900,000	1,090,679	1.63
Weighted average exercise price (\$)		1.04	1.04		

Subsequent to July 31, 2022, 100,000 options were granted with an exercise price of \$1.04.

- **RSUs**

No RSUs were granted, exercised or cancelled during the years ended July 31, 2022 and 2021.

As of July 31, 2022 and 2021, 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.

Tactical Resources Corp.

Notes to the Financial Statements

For The Years Ended July 31, 2022 and 2021

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (CONTINUED)

Escrow Agreement (continued)

- 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.

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
Yana Popova	Former CFO and 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
1143373 BC Ltd.	A company in which the former CFO is a principal

Tactical Resources Corp.

Notes to the Financial Statements

For The Years Ended July 31, 2022 and 2021

(Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions (continued)

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

	For the year ended	
	July 31, 2022	July 31, 2021
	\$	\$
Ranjeet Sundher, CEO and Director		
Consulting fees ⁽¹⁾	120,000	20,000
Share-based payments	28,702	-
	148,702	20,000
Alnesh Mohan, CFO		
Professional fees ⁽²⁾	111,540	38,480
Share-based payments	28,702	-
	140,242	38,480
Kuljit (Jeet) Basi, Director		
Consulting fees ⁽³⁾	116,400	55,100
Exploration and evaluation assets ⁽³⁾	-	60,000
Share-based payments	28,702	-
	145,102	115,100
Matt Chatterton, Director		
Share-based payments	28,702	-
Abhishek Tamot, Former Director		
Consulting fees ⁽⁴⁾	30,000	15,000
Share-based payments	14,351	-
	44,351	15,000
Yana Popova, former CFO and Director		
Consulting fees ⁽⁵⁾	-	15,000
	-	15,000
Total	507,099	203,580

(1) \$110,000 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.

(5) Paid to 1143373 BC Ltd.

Related party balances

The balances due to the Company's directors and officers included in accounts payable and accrued liabilities were \$89,222 as at July 31, 2022 (July 31, 2021 - \$69,115). These amounts are unsecured, non-interest bearing and payable on demand.

Tactical Resources Corp.

Notes to the Financial Statements

For The Years Ended July 31, 2022 and 2021

(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 July 31, 2022 and 2021, 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 year ended July 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 July 31, 2022 and 2021, 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 July 31, 2022 and 2021, there were no financial assets or liabilities measured and recognized in the 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 Years Ended July 31, 2022 and 2021

(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:

	July 31, 2022	FVTPL \$	Amortized costs \$	FVTOCI \$
ASSETS				
Cash	2,314,839	2,314,839	-	-
LIABILITIES				
Accounts payable	297,142	-	297,142	-
	July 31, 2021	\$	\$	\$
ASSETS				
Cash	4,617,481	4,617,481	-	-
LIABILITIES				
Accounts payable	283,021	-	283,021	-

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 July 31, 2022, the Company had cash of \$2,314,839 and accounts payable of \$297,142. All accounts payable are current.

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 July 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.

Tactical Resources Corp.

Notes to the Financial Statements

For The Years Ended July 31, 2022 and 2021

(Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Market risk (continued)

- 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 July 31, 2022:

	CA\$	US\$
-		
Cash	2,314,839	-
Accounts payable	(143,412)	(112,080)
	2,171,427	(112,080)
Rate to convert to \$1.00 CA\$	1.00	1.28
Equivalent to CA\$	2,171,427	(143,412)

Based on the above net exposures as at July 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 \$14,000.

- 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.

12. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	2022	2021
	\$	\$
Canadian statutory income tax rate	27%	27%
Income tax recovery at statutory rate	(1,117,411)	(256,857)
Effect of income taxes of:		
Permanent differences and other	295,196	(110,850)
Change in deferred tax assets not recognized	822,215	367,707
Deferred income tax recovery	-	-

Tactical Resources Corp.

Notes to the Financial Statements

For The Years Ended July 31, 2022 and 2021

(Expressed in Canadian Dollars)

12. INCOME TAXES (CONTINUED)

The temporary differences that give rise to significant portions of the deferred tax assets not recognized are presented below:

	2022	2021
	\$	\$
Non-capital loss carry forwards	985,704	281,128
Exploration and evaluation assets	140,597	-
Share issuance costs	68,891	91,849
Total gross deferred income tax assets	1,195,192	372,977
Unrecognized deferred income tax assets	(1,195,192)	(372,977)
Net deferred income tax assets	-	-

The Company has not recognized any deferred income tax assets. The Company recognizes deferred income tax assets based on the extent to which it is probable that sufficient taxable income will be realized during the carry forward years to utilize all deferred tax assets. The Company has non-capital losses carried forward of approximately \$3,650,757 available to reduce income taxes in future years which expire starting in 2042.

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

13. SUBSEQUENT EVENTS

Subsequent to July 31, 2022

- The Company terminated the Taiga Agreement (Note 4).
- 7,631,755 shares were issued upon the exercise of warrants for proceeds of \$823,773 (Note 6).
- 9,368,040 warrants expired unexercised (Note 6).
- 100,000 options were granted with an exercise price of \$1.04 (Note 6).