



FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2024 AND 2023

(EXPRESSED IN CANADIAN DOLLARS)

INDEPENDENT AUDITORS' REPORT

To the Shareholders and 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, 2024, and 2023.
- The statements of loss and comprehensive loss for the years then ended;
- The statements of changes in equity(deficiency) for the years then ended;
- The statements of cash flows for the years then ended; and
- The notes to the financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, financial position of the Company as at July 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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 which 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended July 31, 2024. These matters were addressed in the context of our audit of the financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Other Information

Management is responsible for the other information. The other information comprises the Company's Management Discussion and 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 audit of 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 audit 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 IFRS Accounting 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 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 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 audit.

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

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

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

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
November 28, 2024

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Tactical Resources Corp.
 Statements of Financial Position
 (Expressed in Canadian Dollars)

	As at	July 31,	July 31,
	Note(s)	2024	2023
		\$	\$
ASSETS			
Current assets			
Cash		45,115	1,125,043
GST receivable		60,315	61,812
Prepaid expenses and other receivables		51,618	83,709
		157,048	1,270,564
Non-current assets			
Equipment		487	3,139
Deferred acquisition costs	4	210,000	210,000
		210,487	213,139
TOTAL ASSETS		367,535	1,483,703
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	1, 8	2,058,257	122,868
		2,058,257	122,868
Non-current liabilities			
Non-current accounts payable	5, 8	395,416	330,640
Convertible notes	6	172,394	-
		567,810	330,640
TOTAL LIABILITIES		2,626,067	453,508
EQUITY (DEFICIENCY)			
Share capital	7	7,410,662	7,410,662
Equity portion of convertible notes	6	14,729	-
Reserves	7	1,636,377	1,352,782
Deficit		(11,320,300)	(7,733,249)
TOTAL EQUITY (DEFICIENCY)		(2,258,532)	1,030,195
TOTAL LIABILITIES AND EQUITY (DEFICIENCY)		367,535	1,483,703
Corporate information and continuance of operations	1		
Commitments	4, 9		
Segmented information	10		
Proposed transaction	1		

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

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

Tactical Resources Corp.

Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	Note(s)	For the years ended	
		July 31, 2024	July 31, 2023
		\$	\$
Expenses			
Accretion of interest	5, 6	61,342	4,113
Consulting fees	8	383,986	642,329
Depreciation		2,652	2,653
Foreign exchange loss		1,022	19,293
General and administrative expenses		119,269	208,397
Professional fees	8	554,269	234,400
Property investigation costs	4	304,795	424,724
Share-based payments	7	283,595	19,850
Investor relations		146,181	791,932
Transfer agent and regulatory		48,962	50,813
Travel		129,494	3,675
Total expenses		(2,035,567)	(2,402,179)
Other income (expenses)			
Finance income		-	709
Gain on extension of accounts payable	5	71,699	63,869
Impairment of exploration and evaluation assets	3	-	(286,260)
Transaction costs	1	(1,628,631)	-
Total other income (expenses)		(1,556,932)	(221,682)
Income (loss) before income taxes		(3,592,499)	(2,623,861)
Income tax			
Deferred income tax recovery	6	5,448	-
Total income tax recovery		5,448	-
Net loss and comprehensive loss		(3,587,051)	(2,623,861)
Basic and diluted loss per share for the year attributable to common shareholders (\$ per common share)		(0.10)	(0.07)
Weighted average number of common shares outstanding - basic and diluted		35,674,480	35,555,451

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

Tactical Resources Corp.

 Statements of Changes in Equity (Deficiency)
 (Expressed in Canadian Dollars)

	Note(s)	Share capital		Share subscription received	Equity portion of convertible notes	Reserves	Deficit	TOTAL
		#	\$	\$	\$	\$	\$	\$
Balance as of July 31, 2023		35,674,480	7,410,662	-	-	1,352,782	(7,733,249)	1,030,195
Equity portion of convertible notes	6, 7	-	-	-	20,177	-	-	20,177
Deferred tax liability on convertible note	6	-	-	-	(5,448)	-	-	(5,448)
Share-based payments	4, 7	-	-	-	-	283,595	-	283,595
Net loss and comprehensive loss		-	-	-	-	-	(3,587,051)	(3,587,051)
Balance as of July 31, 2024		35,674,480	7,410,662	-	14,729	1,636,377	(11,320,300)	(2,258,532)
Balance as of July 31, 2022		28,042,725	6,565,319	175,278	-	1,354,501	(5,109,388)	2,985,710
Shares issued for cash - exercise of warrants	7	7,631,755	823,774	(175,278)	-	-	-	648,496
Reclassification of grant-date fair value on exercise of warrants	7	-	21,569	-	-	(21,569)	-	-
Share-based payments	7, 8	-	-	-	-	19,850	-	19,850
Net loss and comprehensive loss		-	-	-	-	-	(2,623,861)	(2,623,861)
Balance as of July 31, 2023		35,674,480	7,410,662	-	-	1,352,782	(7,733,249)	1,030,195

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, 2024	July 31, 2023
		\$	\$
Cash flow from (used in)			
OPERATING ACTIVITIES			
Net loss		(3,587,051)	(2,623,861)
Adjustments for items not affecting cash:			
Accretion of interest	5	54,775	4,113
Accretion of interest of convertible notes	6	6,567	-
Depreciation		2,652	2,653
Impairment of exploration and evaluation assets	3	-	286,260
Gain on extension of accounts payable	5	(71,699)	(63,869)
Share-based payments	4, 7	283,595	19,850
Deferred income tax recovery	6	(5,448)	-
Effects of currency exchange rate changes on non-current accounts payable		-	(107)
Net changes in non-cash working capital items:			
GST receivable		1,497	32,330
Prepaid expenses and other receivables		32,091	309,240
Accounts payable and accrued liabilities		2,017,089	256,823
Cash flow used in operating activities		(1,265,932)	(1,776,568)
INVESTING ACTIVITIES			
Exploration costs on exploration and evaluation assets	3	-	(61,724)
Cash flow used in investing activities		-	(61,724)
FINANCING ACTIVITIES			
Proceeds on exercise of warrants	7	-	648,496
Proceeds on issuance of convertible notes	6	200,000	-
Cash paid for the issuance costs of convertible notes	6	(13,996)	-
Cash flow provided by financing activities		186,004	648,496
Decrease in cash		(1,079,928)	(1,189,796)
Cash, beginning of period		1,125,043	2,314,839
Cash, end of period		45,115	1,125,043
Supplemental cash flow information			
Equity portion of convertible notes	6, 7	20,177	-
Reclassification of accounts payable to non-current accounts payable	5	79,750	390,503
Reclassification of grant-date fair value on exercise of warrants	7	-	21,569

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, 2024 and 2023

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

Tactical Resources 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.

The Company’s shares are listed on TSX Venture Exchange under the symbol “RARE.V”.

Going concern

As of July 31, 2024, the Company has not generated revenue from operations, has an accumulated deficit of \$11,320,300 (July 31, 2023 – \$7,733,249) and a working capital deficiency of \$1,901,209 (July 31, 2023 – working capital of \$1,147,696), and expects to incur further losses in assessing the Sierra Blanca Quarry Project and 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. 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 Company plans on raising financing through the issuance of shares or debt instruments to fund its operations. 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.

Proposed transaction

On August 22, 2024, the Company entered into a definitive business combination agreement (the “Business Combination Agreement”) with Plum Acquisition Corp. III (NASDAQ: PLMJ) (“Plum”), a NASDAQ-listed special purpose acquisition company.

Pursuant to the terms of the Business Combination Agreement:

- (i) Plum will re-domicile in the Province of British Columbia and amalgamate with a newly formed company incorporated under the laws of the Province of British Columbia (“Pubco”), and
- (ii) immediately thereafter, a newly formed, wholly owned subsidiary of Plum incorporated under the laws of the Province of British Columbia will amalgamate with Tactical, such that, following the closing of the transactions contemplated by the Business Combination Agreement (the “Closing”), Tactical will continue as a wholly owned subsidiary of Pubco, which will be renamed “Tactical Resources Corp.” or such other name as may be agreed to between the parties.

Tactical Resources Corp.

Notes to the Financial Statements

For the Years Ended July 31, 2024 and 2023

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS (CONTINUED)

Proposed transaction (continued)

In the Proposed Business Combination, shares of the Company (“Company Shares”) will be exchanged for newly issued shares of Pubco (“Pubco Shares”) pursuant to an exchange ratio to be determined at the Closing. The exchange ratio is to be based on a pre-transaction equity value of Tactical Resources of US\$500 million. Specifically, the exchange ratio will be calculated by dividing:

a) the quotient obtained by dividing:

- (i) the sum of US\$500 million, the amount of any new equity financings and the aggregate exercise price of any in-the-money equity awards, by
- (ii) the number of issued and outstanding Company Shares on a fully diluted basis, and

b) US\$10 per share.

As of July 31, 2024, the Company has incurred \$1,628,631 in costs that were expensed which related to the proposed transaction, and a \$1,621,927 portion remained unpaid and is included in accounts payable and accrued liabilities.

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION

Statement of compliance

These financial statements of the Company have been prepared in accordance with IFRS Accounting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

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

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 28, 2024.

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.

Tactical Resources Corp.

Notes to the Financial Statements

For the Years Ended July 31, 2024 and 2023

(Expressed in Canadian Dollars)

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Critical accounting estimates and Judgments (continued)

- **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.

Discount rate for convertible notes

The valuation of our convertible notes involves a significant estimate, particularly in determining the appropriate discount rate. This rate is based on the effective interest rate method, which reflects market conditions at the date of issuance. The chosen discount rate is used to amortize the discount on the liability component of the convertible notes over their expected life.

- **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.

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.

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.

Tactical Resources Corp.

Notes to the Financial Statements

For the Years Ended July 31, 2024 and 2023

(Expressed in Canadian Dollars)

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Critical accounting estimates and Judgments (continued)

- **Critical accounting judgments (continued)**

Determination of recovery of impairment loss on exploration and evaluation assets (Note 3)

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.

Material accounting policies

Foreign exchange

Transactions and balances in currencies other than the Canadian dollar, the currency of the primary economic environment in which the Company operates (“the functional currency”), are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange prevailing on the statement of financial position date are recognized in the statement of loss and comprehensive loss.

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 of July 31, 2024 and 2023, 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.

Tactical Resources Corp.

Notes to the Financial Statements

For the Years Ended July 31, 2024 and 2023

(Expressed in Canadian Dollars)

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Material accounting policies (continued)

Financial instruments (continued)

- **Financial assets (continued)**

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, 2024 and 2023, the Company has classified its cash classified as FVTPL.

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, 2024 and 2023, 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, 2024 and 2023, 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.

Tactical Resources Corp.

Notes to the Financial Statements

For the Years Ended July 31, 2024 and 2023

(Expressed in Canadian Dollars)

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Material accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets at amortized cost (continued)

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, 2024 and 2023, the Company has classified its accounts payable, non-current accounts payable and convertible notes as other financial liabilities.

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 12 for further disclosures.

Tactical Resources Corp.

Notes to the Financial Statements

For the Years Ended July 31, 2024 and 2023

(Expressed in Canadian Dollars)

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Compound instruments

The component parts of convertible loan notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case the balance recognized in equity will be transferred to share capital. Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognized in equity will be transferred to reserves. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option. Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible loan notes using the effective interest method.

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.

Tactical Resources Corp.

Notes to the Financial Statements

For the Years Ended July 31, 2024 and 2023

(Expressed in Canadian Dollars)

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION (CONTINUED)

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.

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.

Tactical Resources Corp.

Notes to the Financial Statements

For the Years Ended July 31, 2024 and 2023

(Expressed in Canadian Dollars)

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION (CONTINUED)

Share-based payments (continued)

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.

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.

Tactical Resources Corp.

Notes to the Financial Statements

For the Years Ended July 31, 2024 and 2023

(Expressed in Canadian Dollars)

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION (CONTINUED)

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.

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.

New accounting standards and pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB that are mandatory for accounting periods beginning on or after August 1, 2024. 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, 2024 will have a significant impact on the Company's results of operations or financial position.

- **Disclosure of Accounting Policies**

In February 2021, the IASB issued amendments to IAS 1, which change the disclosure requirements with respect to accounting policies from 'significant accounting policies' to 'material accounting policy information'. The amendments provide guidance on when accounting policy information is likely to be considered material. The amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

- **Definition of Accounting Estimates (Amendment to IAS 8)**

In February 2021, the IASB issued amendments to IAS 8, which added the definition of Accounting Estimates in IAS 8. The amendments also clarified that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from correction of prior period errors.

There was no material impact upon adoption of the above accounting standards.

Tactical Resources Corp.

Notes to the Financial Statements

For the Years Ended July 31, 2024 and 2023

(Expressed in Canadian Dollars)

2. MATERIAL ACCOUNTING POLICY INFORMATION AND BASIS OF PREPARATION (CONTINUED)

New accounting standards and pronouncements (continued)

- Classification of Liabilities as Current or Non-Current

The IASB issued amendments to IAS 1 - Classification of Liabilities as Current or Non-current in January 2020, which have been further amended partially by amendments Non-current Liabilities with Covenants issued in October 2022. The amendments require that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement for at least twelve months after the reporting period. Subsequent to the release of amendments to IAS 1 Classification of Liabilities as Current or Non-Current, the IASB amended IAS 1 further in October 2022. If an entity's right to defer is subject to the entity complying with specified conditions, such conditions affect whether that right exists at the end of the reporting period, if the entity is required to comply with the condition on or before the end of the reporting period and not if the entity is required to comply with the conditions after the reporting period. The amendments also provide clarification on the meaning of 'settlement' for the purpose of classifying a liability as current or non-current.

- IFRS 18 Presentation and Disclosure in the Financial Statements

In April 2024, the IASB issued a new IFRS accounting standard to improve the reporting of financial performance. IFRS 18 Presentation and Disclosure in the Financial Statements replaces IAS 1 Presentation of Financial Statements. The standards will become effective January 1, 2027, with early adoption permitted.

The Company is in the process of assessing the impact of these new standards on the Company's financial statements.

3. EXPLORATION AND EVALUATION ASSETS

	Lac Ducharme Property \$
Balance as of July 31, 2022	265,130
Exploration expenditures	
- Consulting	17,500
- Technical studies	3,630
	21,130
Impairment during the year ended July 31, 2023	(286,260)
Balance as of July 31, 2023 and 2024	-

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.

Tactical Resources Corp.

Notes to the Financial Statements

For the Years Ended July 31, 2024 and 2023

(Expressed in Canadian Dollars)

3. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Lac Ducharme Project (continued)

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

*** As a result of the termination of the DIG Agreement on April 23, 2023, the Company is no longer obligated to issue these shares.

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

*** As a result of the termination of the DIG Agreement on April 23, 2023, the Company is no longer obligated to incur these expenditures.

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 (Note 7 – Escrow Agreement).

On April 23, 2023, the Company decided not to exercise the LDP Option to acquire the Lac Ducharme Project and terminated the DIG Agreement with DIG. As a result of the termination of the DIG Agreement, the Company is no longer obligated to make the remaining option payments and incur the LDP E&E Expenditures pursuant to the DIG Agreement.

As a result of the termination, the Company impaired the carrying value of the Lac Ducharme Project and recognized an impairment loss of \$286,260 in the statement of loss and comprehensive loss during the year ended July 31, 2023.

Tactical Resources Corp.

Notes to the Financial Statements

For the Years Ended July 31, 2024 and 2023

(Expressed in Canadian Dollars)

4. 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 7 – Escrow Agreement). As of July 31, 2024 and July 31, 2023, 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.

Tactical Resources Corp.

Notes to the Financial Statements

For the Years Ended July 31, 2024 and 2023

(Expressed in Canadian Dollars)

4. DEFERRED ACQUISITION COSTS (CONTINUED)

Sierra Blanca Quarry Project (continued)

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 7 – Escrow Agreement).

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, 2024 and 2023, 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, 2024, the Company expensed \$304,795 in property investigation costs related to the Sierra Blanca Quarry Project (July 31, 2023 – \$424,724). 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, 2024 and 2023

(Expressed in Canadian Dollars)

4. DEFERRED ACQUISITION COSTS (CONTINUED)

Sierra Blanca Quarry Project (continued)

Following is the breakdown of the property investigation costs incurred during the years ended July 31, 2024 and 2023:

	For the years ended	
	July 31, 2024	July 31, 2023
	\$	\$
Field	-	6,302
Geological	-	9,710
Logistics	-	4,077
Project management	83,520	89,305
Sample analysis	-	163,121
Technical studies	220,000	149,732
Travel	1,275	2,477
	304,795	424,724

5. NON-CURRENT ACCOUNTS PAYABLE

	July 31, 2024	July 31, 2023
	\$	\$
Opening	330,640	-
Initial recognition	393,691	326,634
Derecognition	(385,640)	-
Interest	54,775	4,113
Effect of movements on exchange rates	1,950	(107)
Balance as of July 31, 2024	395,416	330,640

On July 1, 2023, the Company entered into agreements with various service providers to extend the due date of an outstanding payable amounting to \$390,503 to September 1, 2024. Subsequently, on July 22, 2024, the due date was further extended to September 30, 2025.

Additionally, on July 22, 2024, the Company entered into agreements with various service providers to extend the due date of another outstanding payable amounting to \$79,750 to September 30, 2025.

As a result of these extensions, the Company calculated the fair value of the accounts payable at the date of extension using a risk-adjusted discount rate of 16.5%. The extension of the accounts payable has been considered an extinguishment of debt pursuant to IFRS 9 Financial Instruments. Consequently, a gain on extinguishment of \$71,699 and \$63,869 has been recognized in the statements of loss and comprehensive loss for the years ended July 31, 2024, and 2023, respectively, and a decrease in the carrying value of the accounts payable. The discount is being amortized over the extended period of the accounts payable.

During the year ended July 31, 2024, accretion expense of \$54,775 was recorded as finance costs with a corresponding increase in the carrying value of the accounts payable (July 31, 2023 – \$4,113).

As at July 31, 2024, the carrying value of the non-current accounts payable is \$395,416 (July 31, 2023 – \$330,640).

Tactical Resources Corp.

Notes to the Financial Statements

For the Years Ended July 31, 2024 and 2023

(Expressed in Canadian Dollars)

6. CONVERTIBLE NOTES

	\$
Initial recognition	165,827
Interest	6,567
Balance as of July 31, 2024	172,394

On May 17, 2024, the Company completed a non-brokered private placement of a 2-year, 10% unsecured convertible notes in the principal amount of \$200,000 with an arm's length lender. Any accrued and unpaid interest may, at the Company's sole discretion, be paid in cash or in units at a conversion price equal to the last closing market price of the Company's common shares on the TSXV immediately prior to the conversion date, subject to TSXV policies. The convertible notes have a maturity date of May 17, 2026 (the "Maturity Date").

The convertible notes may be converted into units of the Company ("Units") at any time from the date of issuance until the Maturity Date, with a conversion price of \$0.10 per Unit. Each Unit consists of one common share of the Company and one share purchase warrant. Warrants are exercisable into additional common shares of the Company at an exercise price of \$0.15 for a period of 3 years.

The convertible notes and warrants issued upon conversion are subject to the following blocker provisions:

- **10% blocker:** Prevents conversion if it would result in the securityholder holding 10% or more of the issued and outstanding shares.
- **20% blocker:** Restricts exercise of warrants if it exceeds 20% ownership.

Using a risk-adjusted discount rate of 16.5%, the Company calculated and recorded the equity portion of the notes to be \$21,695 before the allocation of issuance costs.

In connection with the issuance of the convertible notes, the Company incurred issuance costs of \$13,996. These costs are recorded as a reduction of the carrying value of the liability (\$12,478) and equity (\$1,518) portions of the convertible notes. Additionally, the Company recognized a deferred income tax recovery impact of \$5,448 on the equity portion of the convertible notes.

During the year ended July 31, 2024, accretion expense of \$6,567 was recorded as accretion of interest, with a corresponding increase in the carrying value of the liability.

As of July 31, 2024, the carrying value of the convertible notes is \$172,394 (July 31, 2023 – \$nil).

Tactical Resources Corp.

Notes to the Financial Statements

For the Years Ended July 31, 2024 and 2023

(Expressed in Canadian Dollars)

7. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

As of July 31, 2024 and 2023, the Company had 35,674,480 common shares issued and outstanding of which 14,860,000 common shares are subject to an escrow arrangement (See "Escrow Agreement").

During the year ended July 31, 2024, no share issuances occurred.

During the year ended July 31, 2023, 7,631,755 warrants were exercised for proceeds of \$823,774 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.

Warrants

The following table summarizes the changes in warrants outstanding during the years ended July 31, 2024 and 2023:

	July 31, 2024		July 31, 2023	
	Number outstanding	Weighted average exercise price (\$)	Number outstanding	Weighted average exercise price (\$)
Balance, opening	2,856,500	2.50	20,197,080	0.53
Exercised	-	-	(7,631,755)	0.11
Expired	-	-	(9,708,825)	0.29
Balance, closing	2,856,500	2.50	2,856,500	2.50

On March 6, 2024, 2,856,500 warrants with an expiry date of March 14, 2024 were extended to May 13, 2026.

During the year ended July 31, 2023, 9,708,825 warrants expired unexercised.

The following summarizes information about warrants outstanding as of July 31, 2024:

Expiry date	Exercise price (\$)	Warrants outstanding	Estimated grant date fair value (\$)	Weighted average remaining contractual life (in years)
May 13, 2026	2.50	2,856,500	223,498	1.78

Tactical Resources Corp.

Notes to the Financial Statements

For the Years Ended July 31, 2024 and 2023

(Expressed in Canadian Dollars)

7. 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 following table summarizes the changes in warrants outstanding during the years ended July 31, 2024 and 2023:

	July 31, 2024		July 31, 2023	
	Number outstanding	Weighted average exercise price (\$)	Number outstanding	Weighted average exercise price (\$)
Balance, opening	-	-	1,900,000	1.04
Granted	2,395,000	0.10	100,000	1.04
Cancelled	-	-	(2,000,000)	1.04
Balance, closing	2,395,000	0.10	-	-

During the year ended July 31, 2024

- The Company granted a total of 2,395,000 stock options to certain directors, officers and consultants of the Company in accordance with the Plan. The options vest immediately and are exercisable at a price of \$0.10 for a period of twenty-four months.

During the year ended July 31, 2023

- On September 29, 2022, the Company granted a total of 100,000 stock options to certain directors 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.
- The Company cancelled 2,000,000 stock options with an exercise price of \$1.04.

Tactical Resources Corp.

Notes to the Financial Statements

For the Years Ended July 31, 2024 and 2023

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (CONTINUED)

Incentive Plan (continued)

- **Stock Options (continued)**

The estimated grant date fair value of the options granted during the years ended July 31, 2024 and 2023 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	For the years ended	
	July 31, 2024	July 31, 2023
	\$	\$
Number of options granted	2,395,000	100,000
Risk-free interest rate	4.14%	3.76%
Expected annual volatility	139%	96%
Expected life (in years)	2	2
Grant date fair value per option (\$)	0.07	0.20
Share price at grant date (\$)	0.10	0.55

During the year ended July 31, 2024, the Company recognized share-based payments expense arising from stock options of \$164,721 (July 31, 2023 – \$19,850).

The following summarizes information about stock options outstanding and exercisable at July 31, 2024:

Expiry date	Exercise price (\$)	Options outstanding	Options exercisable	Estimated grant date fair value (\$)	Weighted average remaining contractual life (in years)
March 20, 2026	0.10	2,395,000	2,395,000	164,721	1.64

- **RSUs**

During the year ended July 31, 2024

- On March 5, 2024, the Company granted 1,165,000 RSUs with fair value of \$64,075 to certain directors, officers, and consultants of the Company. These RSUs will fully vest 12 months after the grant date.
- On March 20, 2024, the Company granted 1,525,000 RSUs with fair value of \$152,520 to certain directors, officers, and consultants of the Company. These RSUs will fully vest 12 months after the grant date.
- On June 21, 2024, the Company issued 875,000 RSUs to its consultants with fair value of \$345,625. These RSUs will fully vest 12 months after the grant date.
- 25,000 RSUs granted to one of the consultants on March 5, 2024 were forfeited.

No RSUs were granted or cancelled during the year ended July 31, 2023.

Tactical Resources Corp.

Notes to the Financial Statements

For the Years Ended July 31, 2024 and 2023

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (CONTINUED)

Incentive Plan (continued)

- **RSUs (continued)**

The Company determined the fair value of the RSUs issued by using the market price of the Company's common shares on the issuance date.

During the year ended July 31, 2024, the Company recognized share-based payments expense arising from RSUs of \$118,874 (July 31, 2023 – \$nil).

As of July 31, 2024, 3,540,000 RSUs were issued and outstanding (July 31, 2023 – nil). No RSUs were vested as of July 31, 2024 (July 31, 2023 – nil).

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 5) 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

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8. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions

The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. The following table discloses the total compensation incurred to the Company's key management personnel during the years ended July 31, 2024 and 2023:

Related Party	Relationship
Ranjeet Sundher	CEO and Director
Alnesh Mohan	CFO
Matt Chatterton	Director
Kuljit (Jeet) Basi	Director
J. Garry Clark	Director
Mark Mukhija	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
Number Eight Management Ltd.	A company in which a director is a principal
SVK Metrix Inc.	A company in which a director is a principal

The following table discloses the total compensation incurred to the Company's key management personnel during the years ended July 31, 2024 and 2023:

	For the years ended	
	July 31, 2024	July 31, 2023
	\$	\$
Ranjeet Sundher, CEO and Director		
Consulting fees ⁽¹⁾	120,000	120,000
Share-based payments	21,954	-
	141,954	120,000
Alnesh Mohan, CFO		
Professional fees ⁽²⁾	173,420	104,260
Share-based payments	7,993	-
	181,413	104,260
Kuljit (Jeet) Basi, Director		
Consulting fees ⁽³⁾	120,000	120,000
Share-based payments	24,482	-
	144,482	120,000
Matt Chatterton, Director		
Consulting fees ⁽⁴⁾	-	12,000
Share-based payments	12,901	-
	12,901	12,000

Tactical Resources Corp.

Notes to the Financial Statements

For the Years Ended July 31, 2024 and 2023

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8. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Related party transactions (continued)

	For the years ended	
	July 31, 2024	July 31, 2023
	\$	\$
Mark Mukhija, Director		
Share-based payments	7,519	9,925
Garry Clark, Director		
Share-based payments	2,407	9,925
TOTAL	490,676	376,110

- (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 Number Eight Management Ltd.

Related party payables

The carrying value due to the Company's directors and officers included in accounts payable and accrued liabilities was \$209,150 of which \$164,290 was classified as non-current as of July 31, 2024 (July 31, 2023 – \$127,699 of which \$98,673 was classified as non-current). These amounts are unsecured, non-interest bearing and payable on demand.

9. COMMITMENTS

The Company is committed to certain cash payments and share issuances under the Sierra Blanca Quarry Project described in Note 4.

10. SEGMENTED INFORMATION

The Company operates in one single reportable segment, being the acquisition and exploration of mineral resource properties. The Company's non-current assets are located as follows:

	July 31, 2024	Canada	United States
	\$	\$	\$
Non-current assets			
Equipment	487	487	-
Deferred acquisition costs	210,000	-	210,000
	July 31, 2023	-	-
	\$	\$	\$
Non-current assets			
Equipment	3,139	3,139	-
Deferred acquisition costs	210,000	-	210,000

Tactical Resources Corp.

Notes to the Financial Statements

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11. 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, 2024. The Company is not subject to externally imposed capital requirements.

12. FINANCIAL INSTRUMENTS

Fair value

The carrying values of cash, accounts payable, and accrued liabilities approximate their fair values due to the relatively short period to maturity of these financial instruments. The carrying value of the Company's non-current accounts payable and convertible notes approximates their fair value, as they have been discounted using an interest rate comparable to current market rates.

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 of July 31, 2024 and 2023, 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 1, 2 and 3 in the fair value hierarchy above.

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

	July 31, 2024	FVTPL	Amortized costs	FVTOCI
	\$	\$	\$	\$
FINANCIAL ASSETS				
ASSETS				
Cash	45,115	45,115	-	-
FINANCIAL LIABILITIES				
LIABILITIES				
Accounts payable and accrued liabilities	(2,058,257)	-	(2,058,257)	-
Non-current accounts payable	(395,416)	-	(395,416)	-
Convertible notes	(172,394)	-	(172,394)	-

Tactical Resources Corp.

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For the Years Ended July 31, 2024 and 2023

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12. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value (continued)

	July 31, 2023	FVTPL	Amortized costs	FVTOCI
	\$	\$	\$	\$
FINANCIAL ASSETS				
ASSETS				
Cash	1,125,043	1,125,043	-	-
FINANCIAL LIABILITIES				
LIABILITIES				
Accounts payable and accrued liabilities	(122,868)	-	(122,868)	-
Non-current accounts payable	(330,640)	-	(330,640)	-

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 requires additional financing to fund operation and pay for its current obligations.

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

As of July 31, 2024, the Company had cash of \$45,115 and accounts payable and accrued liabilities of \$2,058,257.

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, 2024, 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, 2024 and 2023

(Expressed in Canadian Dollars)

12. 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 of July 31, 2024:

	CA\$	US\$
Cash	45,115	-
Accounts payable and accrued liabilities	(505,197)	(1,123,386)
Non-current accounts payable	(353,752)	(30,137)
Convertible notes	(172,394)	-
	(986,228)	(1,153,523)
Rate to convert to \$1.00 CA\$	1.00	1.38
Equivalent to CA\$	(986,228)	(1,594,722)

Based on the above net exposures as of July 31, 2024, and assuming that all other variables remain constant, a 10% change of the CA\$ against the US would change profit or loss by approximately \$159,000.

- 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.

Tactical Resources Corp.

Notes to the Financial Statements

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13. INCOME TAXES

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

	2024	2023
	\$	\$
Canadian statutory income tax rate	27%	27%
Income tax recovery at statutory rate	(968,504)	(708,442)
Effect of income taxes of:		
Permanent differences and other	55,226	7,211
Change in deferred tax assets not recognized	907,830	701,231
Deferred income tax (recovery)	(5,448)	-

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

	2024	2023
	\$	\$
Non-capital loss carry forwards	2,560,379	1,632,608
Exploration and evaluation assets	217,887	217,887
Share issuance costs	25,987	45,925
Total gross deferred income tax assets	2,804,253	1,896,423
Unrecognized deferred income tax assets	(2,804,253)	(1,896,423)
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 \$9,482,885 available to reduce income taxes in future years which expire starting in 2038.

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