

STARR PEAK

Mining Ltd.

CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

FOR THE THREE MONTHS ENDED OCTOBER 31, 2022

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

STARR PEAK MINING LTD.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
AS AT
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

| | October 31, 2022 | July 31, 2022 |
|---|----------------------|----------------------|
| ASSETS | | |
| Current | | |
| Cash | \$ 973,334 | \$ 336,469 |
| GST receivable | 80,297 | 545,057 |
| Prepays (Note 8) | 74,794 | 78,301 |
| Investments (Note 4) | 7,111 | 6,527 |
| | <u>1,135,536</u> | <u>966,354</u> |
| Exploration and evaluation assets (Note 5) | <u>16,857,000</u> | <u>16,857,000</u> |
| | <u>\$ 17,992,536</u> | <u>\$ 17,823,354</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 1,847,965 | \$ 3,435,657 |
| Due to related parties (Note 8) | 46,693 | 36,475 |
| Flow through premium (Note 6) | 45,494 | - |
| | <u>1,940,152</u> | <u>3,472,132</u> |
| Shareholders' equity | | |
| Share capital (Note 6) | 47,870,502 | 45,259,789 |
| Reserves (Note 6) | 6,042,092 | 6,042,092 |
| Deficit | <u>(37,860,210)</u> | <u>(36,950,659)</u> |
| | <u>16,052,384</u> | <u>14,351,222</u> |
| | <u>\$ 17,992,536</u> | <u>\$ 17,823,354</u> |

Nature and continuance of operations (Note 1)

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

STARR PEAK MINING LTD.**CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

FOR THE THREE MONTHS ENDED OCTOBER 31,

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

| | 2022 | 2021 |
|--|---------------------|-----------------------|
| Consulting | \$ 70,769 | \$ 92,704 |
| Exploration (Note 5) | 744,437 | 2,784,665 |
| Management fees (Note 8) | 85,098 | 69,836 |
| Office and administration | 3,940 | 21,872 |
| Professional fees (Note 8) | 10,900 | 20,520 |
| Marketing and shareholder communications | - | 165,522 |
| Transfer agent and filing fees | 1,846 | 2,918 |
| Travel | 3,608 | 18,183 |
| Loss before other items | (920,598) | (3,176,220) |
| Other items | | |
| Flow through premium recovery (Note 6) | 12,101 | 503,999 |
| Foreign exchange loss | (1,638) | (563) |
| Unrealized gain (loss) on investments (Note 4) | 584 | (672) |
| Net and comprehensive loss for the period | \$ (909,551) | \$ (2,673,456) |
| Basic and diluted loss per common share | \$ (0.02) | \$ (0.07) |
| Weighted average number of common shares | 45,973,658 | 39,543,705 |

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

STARR PEAK MINING LTD.
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

| | Share Capital | | Reserves | Deficit | Shareholders' Equity |
|----------------------------------|---------------|---------------|--------------|-----------------|----------------------|
| | Common Shares | Amount | | | |
| Balance, July 31, 2021 | 39,416,894 | \$ 39,471,280 | \$ 6,276,092 | \$ (24,073,493) | 21,673,879 |
| Exercise of options | 100,000 | 421,000 | (120,000) | - | 301,000 |
| Exercise of warrants | 216,666 | 358,332 | - | - | 358,332 |
| Net loss for the period | - | - | - | (2,673,456) | (2,673,456) |
| Balance, October 31, 2021 | 39,733,560 | \$ 40,250,612 | \$ 6,156,092 | \$ (26,746,949) | 19,659,755 |
| Balance, July 31, 2022 | 43,563,438 | \$ 45,259,789 | \$ 6,042,092 | \$ (36,950,659) | 14,351,222 |
| Private placement | 2,879,743 | 2,735,756 | - | - | 2,735,756 |
| Share issuance costs – cash | - | (67,448) | - | - | (67,448) |
| Flow-through premium | - | (57,595) | - | - | (57,595) |
| Net loss for the period | - | - | - | (909,551) | (909,551) |
| Balance, October 31, 2022 | 46,443,181 | \$ 47,870,502 | \$ 6,042,092 | \$ (37,860,210) | 16,052,384 |

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

STARR PEAK MINING LTD.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED OCTOBER 31,
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

| | 2022 | 2021 |
|--|--------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss for the period | \$ (909,551) | \$ (2,673,456) |
| Items not affecting cash: | | |
| Flow-through premium recovery | (12,101) | (503,999) |
| Share-based compensation | - | - |
| Unrealized loss (gain) on investments | (584) | 672 |
| Changes in non-cash working capital items: | | |
| GST receivable | 464,760 | (120,804) |
| Prepays | 3,507 | 591,264 |
| Accounts payable and accrued liabilities | (1,587,692) | 303,934 |
| Due to related parties | 10,218 | (9,209) |
| Net cash used in operating activities | (2,031,443) | (2,411,598) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from private placement | 2,735,756 | - |
| Share issuance costs | (67,448) | - |
| Exercise of options | - | 301,000 |
| Exercise of warrants | - | 358,332 |
| Net cash provided by financing activities | 2,668,308 | 659,332 |
| Change in cash during the period | 636,865 | (1,752,266) |
| Cash, beginning of period | 336,469 | 5,297,784 |
| Cash, end of period | \$ 973,334 | \$ 3,545,518 |
| Supplemental Cash Flow Information | | |
| Interest payments | \$ - | \$ - |
| Income tax payments | \$ - | \$ - |
| Non-cash investing and financing items: | | |
| Fair value of options exercised | \$ - | \$ 120,000 |

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

STARR PEAK MINING LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2022 and 2021
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

1. NATURE AND CONTINUANCE OF OPERATIONS

Starr Peak Mining Ltd. (“the Company”) was incorporated under the Canada Business Corporations Act on February 4, 1981 and has continued as a company under the Business Corporations Act of British Columbia. The Company is an exploration stage junior mining company engaged in the identification, acquisition and exploration of mineral properties. The Company’s head office is Suite 300 – 1055 West Hastings Street, Vancouver, BC, V6E 2E9. The registered and records office is 25th floor, 700 West Georgia Street, Vancouver, V7Y 1B3.

The Company’s condensed interim financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Several conditions cast doubt on the validity of this assumption. The Company has incurred ongoing losses and has an accumulated deficit. 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 in existence. Such adjustments would be material.

The ability of the Company to continue as a going concern and meet its commitments as they become due, including the acquisition and exploration of exploration and evaluation assets, is dependent on the Company’s ability to obtain the necessary financing. Management is planning to raise additional capital to finance operations and acquire mineral properties. The outcome of these matters cannot be predicted at this time. The Company has incurred losses since inception and the ability of the Company to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

The Company’s business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events, including, the outbreaks of the coronavirus (COVID-19) pandemic, relations between NATO and Russian Federation regarding the situation in Ukraine, and potential economic global challenges such as the risk of the higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company’s business.

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of its mineral properties and upon future profitable production.

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2. BASIS OF PRESENTATION

Statement of compliance

These unaudited condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

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

Approval of the financial statements

These condensed interim financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on December 23, 2022.

3. SIGNIFICANT ACCOUNTING POLICIES

Critical accounting estimates and judgments

The preparation of these condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.
- ii) The recorded value of provision. This amount represents a best estimate of the probable amount payable taking into account available evidence including past history of payments and uncertainty of outflow of future resources.

Significant accounting judgments

Going concern

The preparation of these condensed interim financial statements requires management to make judgments regarding the applicability of going concern assumption to the Company.

STARR PEAK MINING LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2022 and 2021
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets

All costs related to the acquisition of exploration and evaluation assets are capitalized on a property by property basis, net of recoveries. Exploration costs incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are expensed to operations as incurred. If economically recoverable ore reserves are developed, capitalized costs of the related property are classified as mining assets and amortized using the unit-of-production method. When a property is abandoned, all related costs are written off to operations.

The amounts shown for acquisition costs represent costs incurred to date and do not necessarily reflect present or future values. These costs are depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

From time to time, the Company may acquire or dispose of an exploration and evaluation asset pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. Proceeds received on the sale of an option of the Company's property are recorded as a reduction of the mineral property cost. The Company recognizes amounts received in excess of the carrying amount in profit or loss.

Although the Company has taken steps to verify the title to exploration and evaluation assets in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Evaluation and exploration assets are assessed for impairment by management when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned, or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount.

The recoverability of the carrying amount of exploration and evaluation assets is dependent on successful development and commercial exploitation or alternatively the sale of the respective areas of interest.

Decommissioning liabilities

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production.

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged against operations through depreciation of the asset and unwinding of the discount on the provision.

Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset.

The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against operations as extraction progresses.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Decommissioning liabilities (continued)

Changes in the measurement of a liability, which arises during production, are charged against profit or loss. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

Impairment of long-lived assets

The Company's long-lived assets are reviewed for indications of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit or loss.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Income (loss) per share

Basic income (loss) per share is calculated using the weighted average number of common shares outstanding during the period. The Company computes the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

Share capital

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate oil and gas properties. The equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants ("Warrants"). Depending on the terms and conditions of each equity financing agreement ("Agreement"), the Warrants are exercisable into additional common shares prior to expiry at a price stipulated by the Agreement. The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as private placement units. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. The fair value of the common shares is based on the closing quoted bid price on the announcement date. Consideration received for the exercise of warrants is recorded in share capital and the related residual value in warrants reserve is transferred to share capital.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The Company grants options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes Option Pricing Model, and is recognized over the vesting period for employees using the graded vesting method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes Option Pricing Model.

For both employees and non-employees, the fair value of share-based payments is recognized as an expense with a corresponding increase in the reserve. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment in the reserve is transferred to share capital.

Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in profit or loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Flow-through shares

The Company will, from time to time, issue flow-through common shares to finance its exploration programs. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. Upon issuance, the Company bifurcates the flow-through share into: (i) a flow-through share premium equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability; and (ii) share capital. Upon expenses being renounced, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the investors. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets

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.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit and loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in profit and loss in the period in which they arise.

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.

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.

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 and loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

Financial liabilities

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

Fair value through profit or loss – 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. These financial liabilities are initially recognized at fair value less directly attributable transaction costs.

Impairment of financial assets

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets.

IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (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.

| Financial Assets and Liabilities | New classification and measurement IFRS 9 |
|--|--|
| Cash | FVTPL |
| Investments | FVTPL |
| Accounts payable and accrued liabilities | Amortized cost |
| Due to related parties | Amortized cost |

4. INVESTMENTS

Investments consist of common shares of Osisko Gold Royalties Ltd. (“Osisko”) (formerly “Barkerville Gold Mines Ltd.”)

| | October 31, 2022 | | July 31, 2022 | |
|--------|------------------|---------------------|------------------|---------------------|
| | Number of shares | Quoted market price | Number of shares | Quoted market price |
| Osisko | 487 | \$7,111 | 487 | \$6,527 |

During the year ended July 31, 2020, Barkerville Gold Mines Ltd. (“Barkerville”) was acquired by Osisko and resulted in an exchange of 0.0357 of a common share of Osisko for each common share of Barkerville. As a result, the Company exchanged 13,633 common shares of Barkerville for 487 common shares of Osisko. During the period ended October 31, 2022, the Company recognized a net unrealized gain of \$584 (2021 – loss of \$672).

5. EXPLORATION AND EVALUATION ASSETS

NewMétal Property

On June 9, 2019, the Company entered into an agreement to acquire a 100% interest in the NewMétal Property in Quebec in consideration of a cash payment of \$105,000, which was settled with common shares in the May 2020 private placement.

The property is subject to a 1% Net Smelter Royalty (“NSR”).

2nd Stage Expansion

On June 1, 2020, the Company expanded the property by acquiring a 100% interest in additional claims through the common share issuance schedule as follows:

- i) 4,500,000 common shares (issued and valued at \$4,950,000) for the first 50% interest.
- ii) 4,500,000 common shares (issued and valued at \$8,685,000) to acquire the remaining 50% interest.

The expanded property is subject to a 3% NSR, of which 1% can be repurchased for \$1,000,000 at any time prior to commercial production.

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5. EXPLORATION AND EVALUATION ASSETS (continued)

NewMétal Property (continued)

In connection with the acquisition, the Company issued 450,000 common shares valued at \$495,000 as finder's fees.

Normetal/Normetmar Property, Rousseau Property and Turgeon Lake Property

On August 3, 2020, the Company expanded the property by acquiring a 100% in the properties, Normetal/Normetmar Property, Rousseau Property, and Turgeon Lake Property, in consideration of the following:

- i) \$50,000 cash payment (paid) and 1,200,000 common shares (issued and valued at \$2,472,000) issuance upon execution.
- ii) \$50,000 cash payment at 6-month anniversary (paid).
- iii) \$50,000 cash payment on or before August 3, 2021 (paid).

These properties are subject to a 2.5% Gross Metal Royalty, of which 1% can be repurchased for \$1,500,000 at any time prior to commercial production.

The Company capitalized its acquisition costs as follows:

| | | |
|------------------------------------|----|------------|
| July 31, 2020 | \$ | 5,550,000 |
| Cash | | 100,000 |
| Common shares | | 11,157,000 |
| July 31, 2021 | | 16,807,000 |
| Cash | | 50,000 |
| July 31, 2022 and October 31, 2022 | \$ | 16,857,000 |

The Company incurred and expensed current exploration as follows:

| | During the period ended October 31, 2022 | |
|-----------------|---|------------|
| Consulting fees | \$ | 20,198 |
| Assaying | | 116,048 |
| Field work | | 202,920 |
| Drilling | | 405,271 |
| | \$ | 744,437 |
| | During the year ended July 31, 2022 | |
| Consulting fees | \$ | 2,770,062 |
| Assaying | | 746,031 |
| Field work | | 572,112 |
| Drilling | | 7,548,175 |
| | \$ | 11,636,380 |

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5. EXPLORATION AND EVALUATION ASSETS (continued)

El Toro Property

The Company held a 100% interest in the El Toro property located in the Omineca Mining Division of British Columbia with historical acquisition costs of \$243,649.

During the year ended July 31, 2019, the Company abandoned the property and wrote-off the exploration and evaluation assets of \$243,649.

During the year ended July 31, 2021, the Company received \$5,670 of BC Mining Tax Credits from expenditures incurred in prior years.

6. SHARE CAPITAL

Authorized: Unlimited common shares without par value

Issued:

During the period ended October 31, 2022, the Company closed a private placement of 2,879,743 flow-through units at \$0.95 per unit for gross proceeds of \$2,735,756. Each unit consists of one flow-through common share and one-half share purchase warrant of the Company. Each warrant will entitle the holder to acquire an additional common share of the Company at a price of \$1.40 per share until February 16, 2024. Company paid a finder's fee of \$53,085 and paid share issuance costs of \$14,363. A value of \$57,595 was attributed to the flow-through premium liability in connection with the financing. The Company incurred the flow-through proceeds and accordingly, recorded \$12,101 as recovery of flow-through premium during the period ended October 31, 2022.

During the year ended July 31, 2022, the Company:

- i) issued 100,000 common shares pursuant to exercise of options for proceeds of \$301,000. The trading price was \$2.37 when the stock options were exercised.
- ii) issued 2,572,034 common shares pursuant to exercise of warrants for proceeds of \$2,291,524.
- iii) closed a private placement of 1,474,510 flow-through units at \$2.55 per unit for gross proceeds of \$3,760,000. Each unit consists of one flow-through common share and one-half share purchase warrant of the Company. Each warrant will entitle the holder to acquire an additional common share of the Company at a price of \$3.25 per share until May 22, 2023. The Company paid a finder's fee of \$100,000 and paid share issuance costs of \$19,740. A value of \$678,275 was attributed to the flow-through premium liability in connection with the financing. The Company incurred the flow-through proceeds and accordingly, recorded \$678,275 as recovery of flow-through premium during the year ended July 31, 2022.

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6. SHARE CAPITAL (continued)

Stock options

The Company has a rolling stock option plan (the “Plan”) that authorizes the board of directors to grant incentive stock options to directors, officers, consultants and employees, whereby a maximum of 10% of the issued common shares are reserved for issuance under the plan. Under the Plan, the exercise price of each option may not be less than the market price of the Company’s shares at the date of grant, subject to a minimum exercise price of \$0.10 per share. Options granted under the Plan will have a term not to exceed ten years and be subject to vesting provisions as determined by the board of directors of the Company.

On July 23, 2021, the Company granted 1,500,000 incentive stock options exercisable at a price of \$3.01 until July 23, 2026. The fair value of these stock based compensation options granted was estimated on the date of grant in the amount of \$3,514,321 using the Black-Scholes valuation model with the following assumptions: i) stock price of \$3.09; ii) expected share price volatility of 103%; iii) risk free interest rate of 0.79%; iv) no dividend yield, v) expected life of 5 years and vi) fully vested on grant.

On November 26, 2020, the Company granted 273,500 incentive stock options exercisable at a price of \$1.95 until November 26, 2025. The fair value of these stock based compensation options granted was estimated on the date of grant in the amount of \$434,865 using the Black-Scholes valuation model with the following assumptions: i) stock price of \$1.94; ii) expected share price volatility of 120%; iii) risk free interest rate of 0.44%; iv) no dividend yield, v) expected life of 5 years and vi) fully vested on grant.

The following is a summary of the changes in stock options:

| | NUMBER OF OPTIONS | WEIGHTED AVERAGE EXERCISE PRICE |
|--|----------------------|--|
| Outstanding and exercisable at July 31 2021 | 3,648,605 | \$ 1.63 |
| Options exercised | (100,000) | 3.01 |
| Outstanding and exercisable at July 31, 2022 and October 31, 2022 | 3,548,605 | \$ 1.59 |

As at October 31, 2022 the following stock options were outstanding and exercisable:

| NUMBER OF OPTIONS OUTSTANDING | NUMBER OF OPTIONS EXERCISABLE | EXERCISE PRICES | EXPIRY DATES |
|-------------------------------------|-------------------------------------|--------------------|-------------------|
| 1,200,000 | 1,200,000 | \$ 0.16 | April 17, 2024 |
| 330,105 | 330,105 | \$ 0.70 | June 1, 2025 |
| 550,000 | 550,000 | \$ 1.60 | August 12, 2025 |
| 68,500 | 68,500 | \$ 1.95 | November 26, 2025 |
| 1,400,000 | 1,400,000 | \$ 3.01 | July 23, 2026 |
| 3,548,605 | 3,548,605 | | |

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6. SHARE CAPITAL (continued)

Reserve - The reserve records items recognized as stock-based compensation expense, warrant from residual value per significant accounting policy note, which is not share-based payment, and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital. For those options that expired, the recorded value remains in reserve.

Warrants

The following is a summary of the changes in warrants:

| | NUMBER OF WARANTS | WEIGHTED AVERAGE EXERCISE PRICE |
|--|----------------------|--|
| Outstanding at July 31, 2021 | 4,297,591 | \$ 1.87 |
| Warrants exercised | (2,572,034) | 0.89 |
| Warrants expired | (903,890) | 2.10 |
| Warrants granted | 737,255 | 3.25 |
| Outstanding at July 31, 2022 | 1,558,922 | 4.01 |
| Warrants granted | 1,439,872 | 1.40 |
| Outstanding at October 31, 2022 | 2,998,794 | \$ 2.75 |

As at October 31, 2022 the following warrants were outstanding and exercisable:

| NUMBER OF WARRANTS OUTSTANDING | EXERCISE PRICES | EXPIRY DATES |
|--------------------------------------|--------------------|-------------------|
| 521,667* | \$ 4.50 | December 2, 2022 |
| 300,000 | \$ 5.00 | January 22, 2023 |
| 737,255 | \$ 3.25 | May 22, 2023 |
| 1,439,872 | \$ 1.40 | February 15, 2024 |
| 2,998,794 | | |

*expired subsequently

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7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value Hierarchy:

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments consist of cash, investments, accounts payable and accrued liabilities, and amounts due to related parties. The fair value of these financial instruments approximates their carrying value due to the short-term nature of these instruments. Cash and investments are valued at a level 1 fair value measurement.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and other price risk. There has been no change in the way management managed these risks for the year.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The cash is held in a large Canadian financial institution, which has a strong credit rating from a primary credit rating institution. There is nominal risk associated with receivables as this is due primarily from a government agency.

b) Interest rate risk

Interest rate risk consists of two components:

- (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Due to the short-term nature of the Company's financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of October 31, 2022. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on the preservation of capital and liquidity

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7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity issuances. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments. All the Company's financial liabilities have contractual maturities less than 30 days and are subject to normal trade terms. The Company is exposed to liquidity risk.

d) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

The Company's financial instruments include investments which are publicly traded and therefore subject to the risks related to the fluctuation in market prices of publicly traded securities. Some of these investments have been acquired as a result of property transactions and, to a large extent, represent strategic investments in related mining companies and their properties. The Company closely monitors market values to determine the most appropriate course of action.

8. RELATED PARTY TRANSACTIONS

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel includes the Company's executive officers and Board of Director members.

The Company entered into the following transactions with related parties. All related party transactions were measured at the amount of consideration established and agreed to by the related parties.

During the period ended October 31, 2022, the Company:

- a) paid or accrued \$59,598 (2021 – \$56,836) in management fees to the CEO of the Company.
- b) paid or accrued \$25,500 (2021 – \$13,000) in management fees to a company controlled by the CFO of the Company.
- c) paid or accrued \$10,900 (2021 – \$20,520) in professional fees to a company controlled by the CFO of the Company.

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8. RELATED PARTY TRANSACTIONS (continued)

The amounts due to other related parties and key management personnel are as follows:

| | October 31, 2022 | July 31, 2022 |
|---|------------------|---------------|
| Due to a company controlled by the CFO and director | \$ 46,693 | \$ 36,475 |

Amounts due to related parties have no specific terms of repayment, are unsecured and non-interest-bearing.

The amounts due from other related parties and key management personnel included in prepaid expenses are as follows:

| | October 31, 2022 | July 31, 2022 |
|--------------------------------------|------------------|---------------|
| Due from the Chief Executive Officer | \$ 23,235 | \$ 22,120 |

9. CAPITAL MANAGEMENT

The Company defines its capital as shareholders' equity (deficiency). Capital requirements are driven by the Company's exploration activities on its exploration and evaluation assets. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget all exploration projects and overhead to manage costs, commitments and exploration activities.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this financing due to uncertain economic conditions. The Company is not subject to any externally imposed capital requirements. There have been no changes to the Company's approach to capital management during the period.

10. SEGMENTED DISCLOSURE

An operating segment is defined as a component of the Company that engages in business activities from which it may earn revenues and incur expense, whose operating results are reviewed regularly by the Company's chief operating decision maker, and for which discrete financial information is available. The Company has determined that it has one reportable operating segment, the acquisition and exploration of mineral properties, all of which occurs within Canada.