SANDFIRE RESOURCES AMERICA INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

JUNE 30, 2022 AND 2021

Independent auditor's report

To the Shareholders of
Sandfire Resources America Inc.

Opinion

We have audited the consolidated financial statements of **Sandfire Resources America Inc**. and its subsidiaries [the "Group"], which comprise the consolidated statements of financial position as at June 30, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended June 30, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years ended June 30, 2022 and 2021 in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 1 to the consolidated financial statements, which indicates that the Group incurred a net loss of $18,970,085 during the year ended June 30, 2022 and, as of that date, the Group has insufficient working capital to fund planned expenditures for at least the next 12 months. As stated in note 1, these events or conditions, along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

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

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

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

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group’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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Ernst & Young LLP

Chartered Professional Accountants

Vancouver, Canada
September 8, 2022

SANDFIRE RESOURCES AMERICA INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2022 and 2021
(Expressed in Canadian Dollars)

		June 30, 2022		June 30, 2021
ASSETS				
Current				
Cash and cash equivalents	$	94,535	$	4,164,711
Prepaid expenses and other assets (Note 14)		520,833		141,118
Reclamation bond (Note 8)		-		220,542
		615,368		4,526,371
Non-current				
Property, plant, and equipment (Note 6)		10,464,040		10,161,986
Resource properties (Note 8)		8,281,173		6,974,172
Right of use assets (Note 7)		113,827		155,293
Reclamation bond (Note 8)		570,776		19,846
Prepaid mining property tax (Note 8)		562,484		542,057
Total assets	$	20,607,668	$	22,379,725
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 9)	$	1,850,453	$	951,530
Lease liabilities – current portion (Note 7)		43,017		44,214
Loans payable – related party, net of discount (Note 11)		13,990,105		-
		15,883,575		995,744
Long-term				
Lease liabilities (Note 7)		67,730		108,999
Accrued reclamation and remediation (Note 10)		2,294,959		2,397,912
Total liabilities		18,246,264		3,502,655
SHAREHOLDERS' EQUITY				
Share capital (Note 12)		141,927,963		140,073,275
Share-based payment reserve (Note 13)		8,218,446		8,007,572
Foreign currency reserve		6,416		(382,441)
Accumulated deficit		(147,791,421)		(128,821,336)
Total shareholders' equity		2,361,404		18,877,070
Total shareholders' equity and liabilities	$	20,607,668	$	22,379,725

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
COMMITMENTS AND CONTINGENCIES (Note 17)

Approved by the Board on September 8, 2022

"Robert Scargill"	*"Matt Fitzgerald"*
Director	Director

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

SANDFIRE RESOURCES AMERICA INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
(Expressed in Canadian Dollars)

		2022		2021
EXPENSES				
Director and management fees (Note 14)	$	55,000	$	55,185
Depreciation (Notes 6, 7)		203,066		275,339
Salary and wages		399,038		402,000
Exploration and evaluation costs (Note 8)		15,557,396		8,426,048
Foreign exchange loss (gain)		70,467		(21,241)
Office, administration and miscellaneous		769,471		432,002
Professional fees		889,065		1,020,260
Share-based payments (Notes 13)		216,248		12,332
Loss from operations		(18,159,751)		(10,601,925)
OTHER ITEMS				
Interest income		-		54
Interest expense (Note 11)		(767,549)		(354,453)
Accretion (Note 10)		(42,785)		(25,824)
Loss before income tax		(18,970,085)		(10,982,148)
Income tax recovery (Note 15)		-		-
Net loss for the year		(18,970,085)		(10,982,148)
Other comprehensive income gain (loss)				
Foreign currency reserve gain (loss)		388,857		(800,009)
Net other comprehensive income (loss)		388,857		(800,009)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	$	(18,581,228)	$	(11,782,157)
BASIC AND DILUTED LOSS PER SHARE	$	(0.02)	$	(0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		1,023,310,054		926,595,647

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

SANDFIRE RESOURCES AMERICA INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
(Expressed in Canadian Dollars)

	Share Capital - Number of Shares	Share Capital - Amount $	Share-based Payment Reserve $	Foreign Currency Reserve $	Accumulated Deficit $	Total $
Balance at July 1, 2020	821,613,031	110,007,994	8,054,356	417,568	(117,839,188)	640,730
Loss for the year	-	-	-	-	(10,982,148)	(10,982,148)
Other comprehensive loss	-	-	-	(800,009)	-	(800,009)
Shares issued on rights offering, net (Note 12)	200,539,763	29,940,165	-	-	-	29,940,165
Shares issued on exercise of options (Note 13)	1,100,000	125,116	(59,116)	-	-	66,000
Share-based payments (Note 13)	-	-	12,332	-	-	12,332
Balance at June 30, 2021	1,023,252,794	140,073,275	8,007,572	(382,441)	(128,821,336)	18,877,070
Loss for the year	-	-	-		(18,970,085)	(18,970,085)
Other comprehensive gain	-	-	-	388,857	-	388,857
Contribution by parent associated with loan (Note 11)	-	1,843,314	-	-	-	1,843,314
Shares issued on exercise of options (Note 13)	100,000	11,374	(5,374)	-	-	6,000
Share-based payments (Note 13)			216,248	-	-	216,248
Balance at June 30, 2022	1,023,352,794	141,927,963	8,218,446	6,416	(147,791,421)	2,361,404

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

SANDFIRE RESOURCES AMERICA INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
(Expressed in Canadian Dollars)

	2022	2021
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the year	$ (18,970,085)	$ (10,982,148)
Items not involving cash:		
Depreciation (Notes 6 and 7)	203,066	275,339
Accretion of accrued reclamation and remediation (Note 10)	42,785	25,824
Accretion of interest on lease liabilities (Note 7)	3,586	8,093
Accretion of interest on loans payable – related party (Note 11)	387,623	-
Share-based payments (Note 13)	216,248	12,332
	(18,116,777)	(10,660,560)
Changes in working capital		
Prepaid expenses and other assets	(379,715)	(8,201)
Prepaid mining property tax (Note 8)	-	(542,057)
Accounts payable and accrued liabilities	1,278,849	(567,480)
Interest paid	(379,926)	(347,365)
Cash used in operating activities	(17,597,569)	(12,125,663)
INVESTING ACTIVITIES		
Purchase of property, plant, and equipment (Note 6)	(939,203)	(5,943,628)
Refund (deposit) of reclamation bond (Note 8), net	(330,388)	(224,071)
Acquisition of resource properties (Note 8)	(418,438)	(889,062)
Cash used in investing activities	(1,688,029)	(7,056,761)
FINANCING ACTIVITIES		
Proceeds from rights offering, net (Note 12)		29,940,165
Proceeds from exercise of stock options (Note 13)	6,000	66,000
Payments on leases (Note 7)	(50,982)	(48,406)
Proceeds from loans payable – related party (Note 11)	15,279,907	11,078,156
Repayment of loans payable – related party (Note 11)	-	(17,865,456)
Cash provided by financing activities	15,234,925	23,170,459
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(4,050,673)	3,988,035
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(19,503)	(36,716)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,164,711	213,392
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 94,535	$ 4,164,711

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Sandfire Resources America Inc. (the “Company”) (TSX.V SFR.V) was incorporated on July 30, 1998 under the laws of British Columbia and is a mining exploration and development company. The Company is an 86.9% subsidiary of Sandfire Resources Ltd., a public company in Australia. The address of the Company’s corporate and head office is 10th Floor, 595 Howe Street, Vancouver, British Columbia, V6C 2T5, Canada. The Company’s stock symbol is "SFR.V" on the TSX Venture Exchange and “SRAFF” on the U.S. OTC Market.

The Company is in the process of obtaining water rights and seeking full Board approval for development and has started pre-construction earthworks of the Black Butte Copper project. The ability of the Company to obtain necessary financing to commence the full development and construction is not certain.

During the year ended June 30, 2022, the Company incurred a net loss of $18,970,085, the Company’s cash and cash equivalents was $94,535 and working capital was negative $15,268,207. The Company filed the Black Butte Copper Project Technical Report on December 10, 2020. The Company completed and closed a Rights Offering on December 23, 2020 by issuing 200,539,763 common shares of the Company for gross proceeds of $30,080,965, representing 100% of the total rights offered. During the year ended June 30, 2022, Tintina Montana Inc. (“TMI”) and the Company as guarantor, entered into various Bridge Loan Agreements, denominated in USD with Sandfire Resources Ltd (parent) for short-term funding of day-to-day operations. The Company will have to raise additional funds to meet planned 2022/23 drilling expenses and future work plans.

A final Environmental Impact Statement (EIS) was issued on March 13, 2020 by the Montana Department of Environmental Quality (“MT DEQ”) which was followed by a DEQ positive record of decision following on April 9, 2020 which will allow development and underground mining of the Johnny Lee deposit at the Black Butte Copper Project to proceed. On August 14, 2020, the MT DEQ issued a final approval for the Phase I Bonding for the underground Black Butte Copper project (the “Project). The MT DEQ has approved the bond posting and has issued a Final Mine Operating Permit allowing the Company the right to commence Phase I Development surface construction at the mine site. The Company is yet to achieve profitability and has incurred significant losses and negative cash flows from operations. The Company has concluded that the working capital as held at June 30, 2022 is insufficient to fund all committed and non-discretionary expenditures for at least the next twelve months. Unless additional funds are raised, the Company may have insufficient funds to realize its assets and discharge its liabilities in the normal course of business.

The conditions described above indicate the existence of material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. The Company plans to address this uncertainty by raising additional funds in the capital markets or through debt financing in fiscal year 2023. Many factors influence the Company’s ability to raise funds, and there is no assurance that the Company will be successful in obtaining the required financing for these or other purposes, including for general working capital. These financial statements do not contain any adjustments to the amounts that may be required should the Company be unable to continue as a going concern. Such adjustments could be material.

Since March 2020, several governmental measures have been implemented in the United States, where the Company’s operations are located and the rest of the world in response to the coronavirus (COVID-19) pandemic. While the impact of COVID-19 and these measures are expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on the Company’s business operations cannot be reasonably estimated at this time. The Company anticipates this could have an adverse impact on its business, results of operations, financial position, and cash flows into 2023. The Company continues to operate its business, and in response to US Federal and State and Canadian Federal and Provincial emergency measures, has requested its employees and consultants work remotely if exposed to COVID-19 or showing symptomatic signs of COVID-19. Though certain restrictions have been lifted during the year, these government measures, which could include government mandated closures of the Company or its contractors, could impact the Company's ability to conduct its planned programs in a timely manner.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS"). For these purposes, IFRS comprise the standards issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). Accounting policies applied are consistent with those of the previous financial year.

b) Basis of preparation

These consolidated financial statements have been prepared under the historical cost basis.

c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned US subsidiary, Tintina Montana Inc. ("TMI"), which was incorporated in the United States. TMI wholly owns the Black Butte copper underground project. All intercompany balances and transactions have been eliminated on consolidation. The Company consolidates subsidiaries where it has the ability to exercise control. Control of an investee is defined to exist when the investor is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Particularly, the Company controls investees, if and only if, the Company has all of the following: power over the investee; exposure, or rights to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns.

d) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise of cash at banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash. The Company's cash and cash equivalents are invested with major financial institutions in business accounts, bankers' acceptances and in government treasury bills which are available on demand by the Company for its programs and are not invested in any asset backed deposits/investments.

e) Resource properties and exploration and evaluation expenditures

Resource properties consist of payments to acquire property rights and leases, including on-going annual lease payments and water rights payments. Property acquisition costs are capitalized.

Exploration and evaluation expenditure include costs associated with exploring, investigating, examining, and evaluating an area of mineralization, and assessing the technical feasibility and commercial viability of extracting the mineral resource from that area. Exploration and evaluation expenditure incurred on an area where the commercial viability of extracting the mineral resource has not yet been established is expensed when incurred. Once the technical feasibility and commercial viability of extracting the mineral resource is demonstrable, then any further evaluation costs incurred are capitalized. The recoverability of the resource property is dependent on the successful development and commercial exploration, or alternatively, sale of the respective area of interest.

(Expressed in Canadian Dollars)

A resource property is reclassified to mineral properties in PPE when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Resource properties are assessed for impairment once it is determined that they are technically feasible and commercially viable, and any impairment loss is recognized before reclassification to mine properties. In addition, resource properties are assessed for indicators of impairment at each reporting period. No amortization is charged during the exploration and evaluation phase.

At each reporting period, the Company assesses whether there is an indication that resource properties may be impaired. When impairment indicators exist, or when the decision to proceed with the development of a particular project is taken based on its technical and commercial viability, the Company estimates the recoverable amount of resource properties and compares it against the carrying amount. The recoverable amount is the higher of the fair value less cost of disposal and the resource property's value in use. If the carrying value exceeds the recoverable amount, an impairment loss is recorded in the consolidated statement of loss and comprehensive loss for the period. In calculating the recoverable amount, the Company will look at market comparable transactions or when appropriate, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the resource property. The cash flows are based on best estimates of expected future cash flows from the continued use of the resource property.

Once a mine has achieved commercial production, resource properties are depleted on a units-of-production basis over the life of the mine.

f) Property, plant, and equipment

Property, plant, and equipment ("PPE") is stated at cost less accumulated depreciation and accumulated impairment losses. PPE can include capitalized borrowing costs where relevant. PPE also includes the initial estimate of reclamation and remediation obligation. As of July 1, 2021, depreciation is recorded over the estimated useful lives of the assets on a straight-line basis as follows:

	Straight line - Useful life (in years)
Equipment	3 - 10
Vehicle	5 - 10
Buildings	20 - 25
Leasehold Improvements	Over the term of the Lease

Prior to July 1, 2021, depreciation was recorded on a declining balance basis. Effective July 1, 2021, management determined that the straight-line basis of depreciation was more consistent with the actual use of the underlying PPE. Prior to July 1, 2021, depreciation was calculated using the following rates:

Vehicle	30%
Equipment	20 - 40%
Buildings	4 - 5%
Leasehold improvements	over the term of the lease

For PPE assets under construction, depreciation begins once the asset is placed in service which typically occurs when Company begins receiving economic benefit from the use of the asset. Assets under construction include roads, fencing, tailings facility, and land improvements and will be depreciated in accordance with the Company's depreciation policy once placed in service, typically on a units of production basis over the life of mine. Borrowing costs incurred in financing expenditures for an asset under construction are capitalized during the period of construction.

An item of PPE is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of loss and comprehensive loss. Where an item of PPE comprises major components with different useful lives, the components are accounted for as separate items of PPE. Expenditures incurred to replace a component of an item of PPE that is accounted for separately, including major inspection and overhaul expenditures are capitalized. The assets' residual values, useful lives, and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

g) Foreign currency translation

The Company's consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency. Each subsidiary determines its own functional currency and items included in the financial statements of each subsidiary are measured using that functional currency.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Company and its subsidiary at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are recognized in net loss before comprehensive loss except for monetary items that are designated as part of the Company's net investment of a foreign operation. These are recognized in other comprehensive income (loss) until the net investment is disposed, at which time the accumulated amount is reclassified to the statement of loss and comprehensive loss.

ii) The Company and its subsidiary

On consolidation the assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and their statement of loss and comprehensive loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of loss and comprehensive loss. The functional currency of the Company's subsidiary, TMI, is the US dollar.

h) Reclamation and remediation

The Company recognizes liabilities for statutory, contractual, constructive, or legal obligations, including those associated with the reclamation of property, plant and equipment, and of exploration and evaluation assets, when those obligations result from the acquisition, construction, development, or normal operation of the assets. Initially, a liability for rehabilitation obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made.

The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. The associated restoration costs are amortized over the expected useful life of the assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates.

The Company recognizes its environmental liability when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to the consolidated statement of loss and comprehensive loss.

i) Other provisions

Provisions are recognized for liabilities of uncertain timing or amounts that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date. The Company had no other provisions as at June 30, 2022 and 2021.

j) Share-based payments

Employees receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is recognized, together with a corresponding increase in the share-based payment reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in statement of loss and comprehensive loss for a period represents the movement in cumulative expense recognized for the period. No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The cost of the share-based payments are based upon fair value of the share or option on the award's grant date.

When the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met.

k) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

l) Income taxes

i) Current income tax

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the statement of financial position date and includes any adjustments to tax payable or receivable in respect of previous years.

ii) Deferred tax

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of goodwill, or assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

Deferred tax is not recognised for all temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

m) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. All financial instruments are initially recorded at fair value, adjusted for directly attributable transaction costs. The Company determines each financial instrument’s classification upon initial recognition. Measurement in subsequent periods depends on the financial instrument’s classification.

Financial assets

Financial assets are classified and measured at: fair value through profit and loss (“FVTPL”), fair value through other comprehensive income (“FVOCI”) and amortized cost. Measurement and classification of financial assets is dependent on the Company’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset i.e., whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets at amortized cost

The Company measures financial assets at amortized cost if both of the following conditions: the financial asset is held with the objective to collect contractual cash flows; and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest ("SPPI"). This is referred to as the SPPI test. Financial assets at amortized cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Interest received is recognized as part of finance income. Gains and losses are recognized when the asset is derecognized, modified, or impaired. The Company's financial assets at amortized cost include cash and cash equivalents, reclamation bonds, and other assets.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value i.e., fail the SPPI test. Derivatives are classified as held for trading unless they are designated as effective hedging instruments. Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss. An embedded derivative will often make a financial asset fail the SPPI test thereby requiring the instrument to be measured at FVTPL in its entirety. The Company has no financial assets classified as FVTPL.

Impairment

An expected credit loss ("ECL") impairment model applies which requires a loss allowance to be recognized based on ECLs. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original EIR, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial assets at FVTPL or FVOCI

The Company has no financial assets classified as FVTPL or FVOCI.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Loans and borrowings and payables

After initial recognition, interest-bearing loans and borrowings and trade and other payables are subsequently measured at amortized cost using the effective interest method ("EIR"). Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the

EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of loss and comprehensive loss. Gains and losses are recognized when the financial liability is derecognized. The Company's financial liabilities at amortized cost include accounts payable and accrued liabilities and loans payable.

A financial liability is derecognized when the associated obligation 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of loss and comprehensive loss.

<u>Financial liabilities at FVTPL</u>

The Company has no financial liabilities classified as FVTPL.

n) Fair value measurement

The Company discloses the fair value of financial instruments at each reporting date. Also, from time to time, the fair values of non-financial assets and liabilities are required to be determined, e.g., when the entity acquires a business, or where an entity measures the recoverable amount of an asset at fair value less costs of disposal ("FVLCD").

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (an exit price) regardless of whether that price is directly observable or estimated.

o) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive right, then the asset is not identified.
- The Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purposed the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
    - The Company has the right to operate the asset; or
    - The Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component based on their relative stand-alone prices.

The Company recognizes a right-to-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-to-use asset or the end of the lease term. The estimated useful life of the right-to-use assets are determined on the same basis as those of property, plant, and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments.
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date.
- amounts expected to be payable under a residual value guarantee; and
- the exercise prices under a purchase price option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements involves the use of judgments and estimates and from assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These judgements and estimates are based on management’s best knowledge of the relevant facts and circumstances at the time, having regard to prior experience, and are continually reviewed and evaluated. Estimates are inherently uncertain and actual results may differ from the amounts included in the financial statements. Revisions to the estimates and assumptions are recognized in the period in which the estimates are revised and in future periods.

Impairment of resource properties

Determining if there are any facts and circumstances indicating impairment loss on resource properties is a subjective process involving judgment and a number of estimates and interpretations in many cases. Determining whether to test for impairment of resource properties requires management's judgment, among others, regarding the following:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future and is not expected to be renewed.
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the asset is unlikely to be recovered in full from successful development or by sale.

Impairment assessments for resource properties require the use of estimates and assumptions such as long-term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, closure and rehabilitation costs, exploration potential, and resources. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets. In such circumstances, some or all of the carrying amount of the assets may be further impaired or the impairment charge reduced with the impact recognized in the consolidated statement of operations and other comprehensive income.

These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses could differ in such a situation and significant adjustments to the Company's earnings may occur in future periods.

Impairment of PPE

Determining if there are any facts and circumstances indicating impairment loss on PPE is a subjective process involving judgment and a number of estimates and interpretations in many cases. Impairment exists when the carrying value of PPE exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow model. The recoverable amount is sensitive to the discount rate used for the model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses could differ in such a situation and significant adjustments to the Company's earnings may occur in future periods.

Determination of technical feasibility and commercial viability of extracting a resource property

The application of the Company's accounting policy for exploration and evaluation assets requires determining when technical feasibility and commercial viability have been demonstrated involves significant judgement, particularly in relation to projects where feasibility assessment may be ongoing over an extended period of time.

In making this determination, management assesses whether a final investment decision has been approved by the Company's board of directors which is an indication that technical feasibility and commercial viability of a project. Absent this approval, other factors are considered, such as the booking of significant quantities of commercial reserves, approval of budgeted expenditure to commence commercial development activities or the actual commencement of expenditure on development activities. As at June 30, 2022, the Company has determined that they are in the exploration and evaluation stage as they are awaiting the resolution of the legal challenge against the MT DEQ decision to issue the ROD for the approval of the mine and the objections to the water permit application as discussed below.

<u>Accrual of reclamation and remediation costs</u>

In determining accrued reclamation and remediation costs, the calculation of discounted cash flows includes various factors that require estimates and judgments including the extent and costs of reclamation and remediation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. The accrued reclamation and remediation costs are subsequently accreted to its full value over time through charges to the Consolidated Statements of Loss and Comprehensive Loss. The ultimate magnitude of these costs is uncertain, and cost estimates can vary in response to many factors including changes to the relevant legal requirements, whether closure plans achieve intended reclamation goals, and the emergence of new restoration techniques or experience. The expected timing of expenditures can also change. As a result, there could be significant adjustments to the provision for rehabilitations, which would affect future financial results.

4. NEW AND AMENDED ACCOUNTING STANDARDS

No new accounting standard were adopted by the Company during the year ended June 30, 2022.

5. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective. New accounting standard effective for annual periods on or after July 1, 2022:

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to International Accounting Standards Board ("IAS") 16: The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PPE), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment will be applied retrospectively only to items of PPE made available for use on or after July 1, 2022.

Reference to the Conceptual Framework – Amendments to IFRS 3: The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The Company will apply these provisions prospectively beginning July 1, 2022 as permitted by the amendment.

Classification of Liabilities as Current or Non-current - Amendments to IAS 1: The amendments specify the requirements for classifying liabilities as current or non-current. The amendment clarify 1) what is meant by the right to defer settlement; 2) that a right to defer must exist at the end of the reporting periods; 3) that classification is unaffected by the likelihood that an entity will exercise its deferral right; and 4) that only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification. These amendments are effective for the Company on July 1, 2023. The Company does not believe that adoption of this standard would have a significant impact on its financial statements.

Definition of Accounting Estimates - Amendments to IAS 8: The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The Company will apply these provisions prospectively beginning July 1, 2023 as permitted by the amendment. The Company does not believe that adoption of this standard would have a significant impact on its financial statements.

(Expressed in Canadian Dollars)

6. PROPERTY, PLANT, AND EQUIPMENT

Cost	Equipment	Vehicle	Buildings	Leasehold Improve-ments	Assets Under Construction	Land	Total
Opening balances as of June 30, 2020	$ 318,879	$ 203,594	$ 1,284,865	$ 267,287	$ 401,476	$ 183,664	$ 2,659,765
Additions	44,105	73,689	6,221	-	5,943,628	99,385	6,167,028
Reclamation and remediation asset	-	-	-	-	2,421,324	-	2,421,324
Transfers	-	-	155,105	-	(155,105)	-	-
Currency translations	(18,694)	(17,556)	(110,799)	(23,049)	(245,926)	(15,838)	(431,862)
As of June 30, 2021	344,290	259,727	1,335,392	244,238	8,365,397	267,211	10,816,255
Additions	77,138	130,484	40,383	-	170,433	1,004,009	1,422,447
Disposals	(102,102)	-	-	-	-	-	(102,102)
Recission of land purchase	-	-	-	-	-	(1,107,139)	(1,107,139)
Revaluation of reclamation and remediation asset	-	-	-	-	(236,868)	-	(236,868)
Transfers	-	-	74,128	-	(111,701)	37,573	-
Currency translations	9,130	9,787	50,325	9,204	315,034	10,071	403,551
As of June 30, 2022	$328,456	$399,998	$1,500,228	$253,442	$8,502,295	$ 211,725	$11,196,144
Accumulated Depreciation							
Opening balances as of June 30, 2020	$151,890	$ 82,111	$ 162,474	$ 63,557	$ -	$ -	$460,032
Additions	31,673	40,143	120,835	39,858	-	-	232,509
Currency translations	(5,274)	(8,324)	(17,959)	(6,715)	-	-	(38,272)
As of June 30, 2021	178,289	113,930	265,350	96,700	-	-	654,269
Additions	23,012	45,032	67,495	21,034	-	-	156,573
Disposals	(102,102)	-	-	-	-	-	(102,102)
Currency translations	3,283	5,094	10,968	4,019	-	-	23,364
As of June 30, 2022	$102,482	$164,056	$343,813	$121,753	$ -	$ -	$732,104
Net book value							
As of June 30, 2021	$166,001	$145,797	$1,070,042	$147,538	$8,365,397	$ 267,211	$10,161,986
As of June 30, 2022	$225,974	$235,942	$1,156,415	$131,689	$8,378,088	$ 211,725	$10,464,040

At June 30, 2022, assets under construction consist of roads, pit, land improvements, fencing, and reclamation and remediation asset. These assets will be placed in service once mining and milling of the property begins.

(Expressed in Canadian Dollars)

At June 30, 2021, the Company paid $99,385 in a down payment to acquire mineral rights from Bar Z that were associated with its mineral resource. The acquisition was terminated during the year ended June 30, 2022 and the initial down payment was applied against future mineral lease payments. See Note 8.i.

At June 30, 2022, the Company had a change in estimated accrued reclamation costs associated with its mineral resource. The revaluation resulted in a $236,868 decrease to the related asset retirement costs included in assets under construction. See Note 10.

7. RIGHT OF USE ASSETS AND LEASE LIABILITIES

The Company has lease contracts for various offices, houses, and vehicles. It does not have any subleases. As at June 30, 2022, lease liabilities have a remaining lease term of five years or less and were determined using an effective interest rate of 5%. The undiscounted cash-flows over the remaining lease term are approximately $130,000.

Right of Use Assets	**Office Buildings**	**Vehicle**	**Houses**	**Total**
As of June 30, 2020	$ 134,713	$ 1,230	$ 25,323	$ 161,266
Contracts identified as leases	14,462	-	19,048	33,510
Impact of lease modifications	-	-	13,719	13,719
Depreciation	(19,123)	(1,160)	(22,547)	(42,830)
Currency translations	(11,021)	(70)	719	(10,372)
As of June 30, 2021	119,031	-	36,262	155,293
Depreciation	(21,856)	-	(24,652)	(46,508)
Currency translation	4,113	-	929	5,042
As of June 30, 2022	$101,288	$ -	$ 12,539	$113,827
Lease Liabilities				
As of June 30, 2020	$128,949	$ 1,311	$ 26,409	$ 156,669
Contracts identified as leases	14,462	-	19,048	33,510
Impact of lease modifications		-	13,719	13,719
Payments	(23,450)	(1,251)	(21,377)	(46,078)
Interest expense	6,549	14	1,530	8,093
Currency translations	(10,540)	(74)	(2,086)	(12,700)
As of June 30, 2021	115,970	-	37,243	153,213
Payments	(25,147)	-	(25,835)	(50,982)
Interest expense	3,007	-	579	3,586
Currency translation	3,978	-	952	4,930
As of June 30, 2022	$ 97,808	$ -	$ 12,939	$ 110,747

Current and long-term portion of the lease liability at June 30, 2022 and 2021 are as follows:

		2022	**2021**
Current portion	$	43,017	44,214
Long-term portion		67,730	108,999
Total	$	110,747	153,213

(Expressed in Canadian Dollars)

At June 30, 2022, the total of future minimum lease payments under the leases are as follows:

36,954	From July 1, 2022 to June 30, 2023
55,605	From July 1, 2023 to June 30, 2026
37,070	From July 1, 2026 to January 1, 2028
129,629	Total

8. RESOURCE PROPERTIES AND EXPLORATION AND EVALUATION COSTS

Additions to resource properties during the years ended June 30, 2022 and 2021 were as follows:

		2022		**2021**
Beginning balance	$	6,974,172	$	6,727,449
Acquisition costs for the year		1,038,588		838,461
Currency translation		268,413		(591,738)
Ending balance	$	8,281,173	$	6,974,172

Exploration and evaluation costs incurred during the years ended June 30, 2022 and 2021 were as follows:

		2022		**2021**
Labor and short term benefits	$	3,742,158	$	2,586,203
Contractors and consultants		1,653,020		1,196,263
Evaluation		731,734		-
Permitting		737,185		1,496,896
Drilling		7,190,807		2,156,376
Metallurgy/Assays		389,281		221,668
Public relations		505,915		434,160
Supplies		212,976		82,851
Project travel		98,306		89,503
Rents and storage		144,458		63,122
Other		151,556		99,006
Total	$	15,557,396	$	8,426,048

i) Black Butte Copper 2010 Leases

On May 2, 2010, the Company, through its wholly-owned subsidiary, TMI, entered into mining lease agreements and a surface use agreement (collectively, the “Black Butte Agreements”) with the owners of the Black Butte copper-cobalt-silver property in central Montana, United States. This portion of the Black Butte property consists of approximately 7,684 acres of fee-simple lands and 4,541 acres in 239 Federal unpatented lode mining claims in central Montana.

The Black Butte Agreements, as amended, provide the Company, through TMI, with exclusive use and occupancy of any part of the property that is necessary for exploration and mining activities for an initial term of 30 years, which can be extended by the Company for additional periods of 10 years by giving prior notice within the time specified in the agreements. The Black Butte Agreements also provide for surface lease payments and advance minimum royalty payments to be paid to the lessors, in total of approximately US$12,400,000 in cash and a Net Smelter Returns (“NSR”) royalty of 5% after commencement of commercial production, if any. At any time after completion of a feasibility study, the Company has the right to buydown the maximum 5% NSR to 2% by making payments to the lessors in total of US$10,000,000.

(Expressed in Canadian Dollars)

On December 11, 2020, per Black Butte Agreements, the Company gave the owners notification to exercise a purchase option in the agreement on the basis that they had finalized the technical report. At each owner's sole option, by June 12, 2021, they could elect to transfer title to all or part of their interest of the mine property to the Company who had to accept. If an owner chooses not to elect this option, the Company would be required to pay the owner US$150.00 per acre per year for the owner's mine property as well as pay all property taxes assessed during the term of the lease. An owner opted not to sell requiring the Company to begin paying the owner US$4,293 annually over the next twenty years beginning in June 2021.

Separately, the Company has an agreement with another property owner, Bar Z Ranch, Inc. ("Bar Z") to pay an additional US$80,123 in both 2021 and 2022 to maintain an option to purchase the owner's property rights for US$700,000 before July 1, 2023. See Note 6.

The payment made in 2022 was CDN $664,415. The following is a schedule of payments excluding the US$700,000 option payment, translated to Canadian dollars, as at June 30, 2022.

Payments 1

$ 5,785,895	Total paid from May 2, 2010 to May 2, 2022
10,284,468	$571,359 annually on May 2 from 2023 to 2040
16,070,363	Total lease payments, excluding buydown of NSR royalty of 5%

ii) Black Butte Copper 2011 Leases

In June 2011, the Company, through its subsidiary, staked an additional 286 claims on federal lands and entered into mining lease agreements. The additional mining lease agreements were entered under similar terms as the Black Butte Agreements as described above. The Company was granted the sole and exclusive use and occupancy of any part of the property that is necessary for exploration and mining activities for an initial term of 30 years, which can be extended by the Company for additional periods of 10 years by giving prior notice within the time specified in the agreements. The additional Black Butte Agreements provide for prior to commercial production, advance minimum royalty payments to be paid to the lessors, in total of US$1,250,000 in cash (schedule Payments 2), and a NSR royalty of 5% after commencement of commercial production, if any. At any time after completion of a feasibility study, the Company has the right to buydown the maximum 5% NSR to 2% by making payments to the lessors in total of US$5,000,000. The June 2022 lease amount was CDN $45,050. The following is a schedule of payments, translated to Canadian dollars, as at June 30, 2022:

Payments 2

$ 407,478	Total paid from June 10, 2011 to June 10, 2022
102,972	On June 10, 2023 and 2024 ($51,486 each year)
180,201	On June 10, 2025, on June 10, 2026, and on June 10, 2027 ($60,067 each year)
901,004	$64,357 annually on June 10 from 2028 to 2041
$ 1,591,655	Total lease payments, excluding buydown of NSR royalty of 5%

iii) Lease and Water Use Agreement

On October 15, 2015, the Company, through TMI, entered into a Lease and Water Use Agreement to lease the water rights to certain locations in Meagher County, Montana for a term of 30 years. The Company shall pay the owner the sum of US$20,000 per year, increasing to US$100,000 year upon actual mining and production of minerals at the Black Butte Copper property. The Company can terminate the lease and water use agreement at its option. During the years ended June 30, 2022 and 2021, the Company paid $25,387 and $26,372, respectively, in accordance with the terms of this agreement.

(Expressed in Canadian Dollars)

iv) Mining Lease Agreement

On September 13, 2017, the Company, through TMI, entered into a Mining Lease Agreement for the purpose of mineral exploration and mining in certain lands located in Meagher County, Montana for an initial term of 30 years. In consideration, the Company shall pay the owner an advance minimum royalty payment, in total of US$555,000 in cash (schedule Payments 3), and a NSR royalty of 5% after commencement of commercial production, if any. At any time after completion of a feasibility study, the Company has the right to buydown the maximum 5% royalty to 2% in return for a payment of US$5,000,000 divided pro rata among the mineral owners, and an option to renew the lease for five years. The Company can terminate the mining lease agreement at its option. The payment made in September 2021 was CDN $6,332. The following is a schedule of payments, translated to Canadian dollars, as at June 30, 2022:

Payments 3

$	32,169	Total paid from execution of the lease to June 30, 2022
	6,436	$6,436 due September 1 2022
	64,357	$12,871 annually on September 1 from 2023 to 2027
	96,536	$19,307 annually on September 1 from 2028 to 2032
	128,715	$25,743 annually on September 1 from 2033 to 2037
	386,145	$38,614 annually on September 1 from 2038 to 2047
$	714,358	Total lease payments, excluding buydown of NSR royalty of 5%

v) Reclamation Bond

The Company had reclamation bonds of $570,776 and $240,388 held with MT DEQ as June 30, 2022 and 2021, respectively.

vi) Prepaid Mining Property Tax

During the year ended June 30, 2021, the Company was required per its August 2018 Hard Rock Mining Impact Plan (HRMIP) to make mine property tax prepayment of $593,987 ($437,000 USD) to cover the immediate impacts for the City of White Sulphur Springs and Meagher County resulting from the planned development of the Black Butte Project. The prepayment will be credited against future property taxes due once the resource taxable assets are constructed and added to the Meagher County property tax lists of taxable assets for the Company. The prepaid mining property tax balance at June 30, 2022 is $562,484 (2021 - $542,057).

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company had the following accounts payables and accrued liabilities at June 30, 2022 and 2021.

		2022		2021
Trade payables	$	806,596	$	451,958
Accrued liabilities and other		758,613		222,574
Accrued salaries and payroll		285,244		276,998
	$	1,850,453	$	951,530

(Expressed in Canadian Dollars)

10. ACCRUED RECLAMATION AND REMEDIATION

During the year ended June 30, 2021, the Company determined that disturbance to its properties would be subject to restoration in the future and recorded accrued reclamation costs based upon the present value of its best estimate of future reclamation costs. Activity in the related accrued reclamation and remediation balance for the years ended June 30, 2022 and 2021 is as follows:

		2022		2021
Balance, beginning of period	$	2,397,912	$	-
Additions		-		2,372,088
Accretion		42,784		25,824
Changes in discount rate and estimates		(236,868)		-
Currency translation		91,131		-
	$	2,294,959	$	2,397,912

The undiscounted amount of the expected cash flows required to settle the reclamation liability is estimated to be $2.2 million as at June 30, 2022 and 2021. The Company has estimated that reclamation and remediation payments are expected to be from 2032 to 2046 with the majority of the payments being made in years 2033 to 2035. The liability for the expected cash flows, as reflected in the consolidated financial statements, has been inflated at 2.39% (June 30, 2021 – 2.00%) and discounted using a risk-free rate of 3.32% (June 30, 2021, 1.75%).

11. LOANS PAYABLE – RELATED PARTY

During the year end June 30, 2022, TMI and the Company as guarantor, entered into various Bridge Loan Agreements, totalling US$12,000,000 with Sandfire Resources Ltd (parent) for short-term funding of day to day operations. The date of each loan agreement and the amount borrowed, translated to Canadian dollars, are as follows:

Date of Loan		
September 20, 2021	$	3,801,993
December 15, 2021		5,167,368
February 28, 2022		4,431,812
April 21, 2022		1,878,734
	$	15,279,907

The Bridge Loan Agreements specify that repayment of the loans was initially the earlier of (i) July 30, 2022 or (ii) 7 days after Sandfire Resources America Inc. completes either a debt or equity financing with gross proceeds of at least US$21 million.

Interest on the loans is set at 5% per annum and interest is payable on the last day of each calendar month. The stated interest rate of the Bridge Loan was below the market rate for similar loan instruments. For accounting purposes at the date of each advance, we discount the expected payments using a risk-adjusted discount rate and an estimated repayment date. Rates of 10.0% to 10.6% were used for the loans received during the year ended June 30, 2022. Amounts received in excess of fair value on the date of the advances were credited to Share Capital representing an increase in contribution by Sandfire Resources Ltd. Total Interest expense on these loans, including accretion of the discount of $387,623, was $763,385 for the year ended June 30, 2022.

On June 30, 2022, the Company entered into an amendment to its Bridge Loan. Pursuant to the amendment, the amount available to be borrowed under the Bridge Loan was increased from an aggregate of up to US$12.0 million to an aggregate of up to US$22.0 million through one or more advances, and the latest maturity extended from June 30, 2022 to June 30, 2023, subject to the terms of the variation and the Bridge Loan. In addition, terms for repayment of the loan upon a debt or equity financing increased to US$30 million. The amendment resulted in a discount of $1,455,691 recognized on the loan payable balance at June 30, 2022 with an offsetting credit to Share Capital representing an increase in contribution by Sandfire Resources Ltd. The discount was due to the stated interest rate of 5% being below the market rate for similar loan instruments of 14.9% on the date of the amendment.

(Expressed in Canadian Dollars)

All other terms and conditions of the Bridge Loan remain in full force and effect, except as amended. No securities of the Company are issuable under the Agreement.

As of June 30, 2022, other than the full draw down of US$12 million, no further drawdown was made from the additional US$10 million available under the Loan. Draw down of the additional funds began in July 2022.

During the year ended June 30, 2021, TMI and the Company as guarantor, entered into similar Bridge Loan Agreements with Sandfire Resources Ltd (parent) totalling $12,222,423. Interest expense on these loans was $347,365 for the year ended June 30, 2021. On December 29, 2020, the Company repaid all outstanding balances.

A summary of the activity for the years ended June 30, 2022 and 2021 is as follows:

		2022		2021
Balance, beginning of period	$	-	$	6,787,300
Additions		15,279,907		12,222,423
Repayments		-		(18,453,706)
Discount due to below-market interest rate		(1,843,314)		-
Accretion of discount		387,623		-
Currency translation		165,889		(556,017)
Balance, end of period	$	13,990,105	$	-

				As at June 30,
Accrued interest payable	$	123,778	$	-

12. SHARE CAPITAL

a) Authorized: The Company is authorized to issue an unlimited number of common shares without par value.

b) Issued and outstanding at June 30, 2022: 1,023,352,794 (June 30, 2021: 1,023,252,794) common shares.

See Consolidated Statements of Changes in Equity for details.

On December 23, 2020, the Company closed its rights offering, issuing 200,539,763 common shares of the Company, for gross proceeds of $30,080,965, representing 100% of the total rights offered. The Company's largest shareholder, Sandfire B.C. Holdings Inc. ("Sandfire B.C."), fully exercised its basic subscription privilege to purchase its pro rata share of the common shares offered, being 170,869,434 common shares, and also purchased an additional 17,739,705 common shares through the exercise of its additional subscription privilege, for a total subscription of 188,609,139 common shares for a total ownership of 86.93%. The Company incurred share issuance costs of $140,800, resulting in the net proceeds of $29,940,165.

(Expressed in Canadian Dollars)

13. STOCK PLAN AND SHARE-BASED PAYMENTS

On November 1, 2021, the Company established an Omnibus Share Incentive Plan (the "Plan") for certain qualified directors, executives, officers, employees, and consultants. The Plan includes options that were issued under the Company's former stock option plan. Shares delivered under the Plan will generally be from authorized but unissued shares of the Company. The Plan reserves for issuance up to 2.5% of the issued and outstanding share capital of the Company from time to time with the maximum number of shares reserved cannot exceed 102,325,279 shares. Options granted under the Plan are for a term not to exceed 10 years from the date of their grant.

The Plan allows for awards in the following forms: stock purchase option, restricted share unit, performance share unit or deferred share unit. Options granted under the Plan entitle the recipient to acquire a designed number of shares at a stated exercise price and typically vest over a period specified in the option agreement. DSUs are granted for services rendered, or for future services to be rendered, that typically vest upon issuance. Settlement of DSUs is the date of the recipient's resignation or termination of employment, retirement, or death. To date, no DSUs have been awarded under the Plan. RSUs and PSUs are granted for services rendered, or for future services to be rendered, that vest based on the passage of time during continued employment or other service relationship over a period of determined by the board of directors.

<u>Restricted Share Units ("RSUs"):</u> During the year ended June 30, 2022, the Company awarded 1,657,824 RSUs that had a grant date fair value based upon the shares price of the Company's common stock of $0.19 per RSU or $314,987 in total. During the year ended June 30, 2022, the Company has recognized $165,133 in compensation expense related to RSUs and expects to record an additional $149,854 in compensation expense over the next 2.0 years. There was no compensation expense for RSUs recorded during the year ended June 30, 2021. At June 30, 2022, 342,091 RSUs are vested. The unvested units at June 30, 2022 are scheduled to vest as follows:

During the year ended:	
June 30, 2023	552,608
June 30, 2024	552,608
	1,105,216

<u>Performance Share Units ("PSUs"):</u> During the year ended June 30, 2022, the Company awarded 1,105,216 PSUs that had a weighted average grant date fair value of $0.19 per RSU or $209,991 in total. These PSUs vest upon completion of the performance period (through 2024) and specific performance conditions set forth for each individual grant for individually defined reporting and operating measurement objectives. The Company determines the factor to be applied to that target number of PSUs, with such percentage based on level of achievement of the performance conditions. Upon the achievement of the conditions, any unvested PSUs become fully vested.

During the year ended June 30, 2022, the Company has recognized $51,115 in compensation expense related to RSUs and expects to record an additional $158,877 in compensation expense over the next 2.0 years. There was no compensation expense for PSUs recorded during the year ended June 30, 2021. At June 30, 2022, no PSUs have vested The unvested units at June 30, 2022 are scheduled to vest as follows assuming milestones are reached during the year ended June 30, 2024:

(Expressed in Canadian Dollars)

During the year ended:	
June 30, 2023	13,999
June 30, 2024	1,091,217
	1,105,216

Stock Options. No options were granted during the years ended June 30, 2022 and 2021. During the years ended June 30, 2022 and 2021, the Company recognized $nil and $12,332, respectively, in share-based payments related to the vesting of options issued in prior years.

During the year ended June 30, 2021, 1,100,000 options were exercised for net proceeds of $66,000. The weighted average trading share price of the Company's common stock on the dates of exercise was $0.19. During the year ended June 30, 2022, 100,000 options were exercised for net proceeds of $6,000. The trading price of the Company's common stock on the date of exercise was $0.20.

Stock option transactions are summarized as follows:

	Number of options	**Weighted average exercise price**
Balance, June 30, 2020	2,700,000	$0.08
Granted	-	-
Expired or Forfeited	-	-
Exercised	(1,100,000)	(0.06)
Balance, June 30, 2021	1,600,000	$0.10
Granted	-	-
Expired or Forfeited	(250,000)	(0.06)
Exercised	(100,000)	(0.06)
Balance, June 30, 2022	1,250,000	0.11

The following table summarizes stock options outstanding and exercisable at June 30, 2022:

Exercise Price ($)	**Number of Options Outstanding and Exercisable**	**Weighted Average Remaining Contractual Life (years)**
0.11	1,250,000	0.92

14. RELATED PARTY TRANSACTIONS AND BALANCES

The following key management personnel compensation and related party transactions took place during the financial year:

		For the year ended June 30, 2022		**2021**
Short-term benefits	$	1,603,401	$	1,322,353
Share-based compensation		216,248		9,866
Total remuneration	$	1,819,649	$	1,332,219

The remuneration of directors and other members of key management is included in short-term benefits and share-based payments.

(Expressed in Canadian Dollars)

During the year ended June 30, 2022, Sandfire Resources Ltd. paid exploration expenses amounting to $74,519 (2021: $81,140) on behalf of the Company which has been reimbursed. At June 30, 2022, the Company has an account payable to Sandfire Resources Ltd. of $3,555 (2021: nil). See Note 11 of the Consolidated Financial Statements for the year ended June 30, 2022 for information about the Company's loans payable to Sandfire Resources Ltd (parent). In addition, at June 30, 2022, the Company was owed $277,575 (2021: nil) from MATSA, a wholly owned subsidiary of Sandfire Resources Ltd. The amount owed related to a management services agreement between MATSA and the Company, allowing the secondment of key management from the Company to MATSA.

15. INCOME TAXES

a) Due to continuing losses and availability of net operating loss carryforwards, income tax expense (recovery) was nil for the years ended June 30, 2022 and 2021.

b) Income tax

Income tax differs from the amount that would result from applying the combined Canadian federal and provincial income tax rates due to the following:

		June 30, 2022		June 30, 2021
Loss before income tax	$	(18,970,085)	$	(10,982,148)
Canadian statutory income tax rate		27.00%		27.00%
Income tax recovery at statutory rate	$	(5,121,923)	$	(2,965,181)
Effect on income taxes of:				
Non-deductible items		110,610		5,499
Impact of different foreign statutory tax rates		119,728		68,800
Tax effect of tax losses and temporary differences not recognized		4,906,097		3,031,827
Change in estimate and others		(14,512)		(140,945)
Income tax expense	$	-	$	-

c) Unrecognized deductible temporary differences

As at June 30, 2022, the Company had the following deductible temporary differences for which deferred tax assets have not been recognized, because it is not probable that future profit will be available against which these temporary differences may be applied.

		June 30, 2022		June 30, 2021
Non-capital loss carry-forwards	$	23,951,766	$	19,652,570
Resource property		93,058,015		78,192,521
Share issuance costs		108,013		185,931
Share based compensation		379,336		219,228
Other		304,924		100,500
Total unrecognized temporary differences	$	117,802,054	$	98,350,750

Unrecognized deductible temporary differences at June 30, 2021 for non-capital loss carryforwards and resource property were previously reported as $17,013,697 and $80,831,394, respectively. For presentation in the June 30, 2022 financial statements, non-capital loss carryforwards was decreased and resource property presentation was increased by $2,061,551 to correct a prior year miscalculation.

(Expressed in Canadian Dollars)

At June 30, 2022, the Company has United States net operating loss carry forwards of approximately $9.5 million that expire from June 30, 2028 to 2038 and approximately $10.4 million that do not expire but whose utilization is limited to 80% of net taxable income in any given year. In addition, the Company has state net operating loss carry forward of approximately $18.9 million that expire from June 30, 2022 to June 30, 2026. At June 30, 2022, the Company has Canadian non-capital loss carryforwards of approximately $4.1 million that expire from June 30, 2036 to 2041.

The US loss carry-forwards are available to offset against future taxable income; however future use of U.S. loss carry-forwards is subject to certain limitations under provisions of the Internal Revenue Code including limitations subject to Section 382 which could limit the Company's ability to use some of these losses before they expire.

The temporary differences associated with investments in and loans to the Company's subsidiary for which a deferred tax liability has not been recognized in the year aggregate to approximately $47.2 million (2021: $47.2 million) relating primarily to Sandfire Resources Ltd.'s controlling investment in the Company. The Company has determined that the temporary differences associated with its investment in its subsidiary will not reverse in the foreseeable future.

16. SEGMENT INFORMATION

The Company's operations are limited to a single industry segment being the acquisition, exploration, and development of resource properties. The resource properties are located in the State of Montana in the United States.

						As at June 30, 2022
		Canada		**United States**		**Total**
Other Assets	$	50,551	$	12,275,944	$	12,326,495
Resource properties		-		8,281,173		8,281,173
Total Assets	$	50,551	$	20,557,117	$	20,607,668
Total Liabilities	$	125,136	$	18,121,128	$	18,246,264

						As at June 30, 2021
		Canada		**United States**		**Total**
Other Assets	$	385,384	$	15,020,169	$	15,405,553
Resource properties				6,974,172		6,974,172
Total Assets	$	385,384	$	21,994,341	$	22,379,725
Total Liabilities	$	73,084	$	3,429,571	$	3,502,655

		Canada		**United States**		**Total**
Loss for year ended June 30, 2022	$	(1,033,366)	$	(17,936,719)	$	(18,970,085)
Loss for year ended June 30, 2021	$	(898,041)	$	(10,084,108)	$	(10,982,149)

17. COMMITMENTS AND CONTINGENCIES

The Company has commitments to incur lease payments as disclosed in Note 7 and resource property payments as disclosed in Note 8.

Permit: On June 4, 2020, a legal challenge to the MT DEQ's Record of Decision was lodged in the 14th Judicial Court in Meagher County, Montana against the MT DEQ and TMI by four groups who oppose resource development in Montana. Through 2020 and 2021 all sides issued numerous legal filings resulting in an Administrative Record of approximately 90,000 pages. On July 16, 2021, District Court Judge Bidegary heard oral arguments for summary judgement from plaintiffs and defendants regarding a legal complaint filed on June 4, 2020 by the plaintiffs claiming to represent the environmental community. The suit was filed jointly against the MT DEQ and TMI. On April 8, 2022, Judge Bidegary ruled in favor of the plaintiffs. The Company and plaintiffs supplied recommendations for remedies for her ruling to the judge in early June 2022, followed by filing of a joint recommendation for remedies on July 1, 2022.

On July 5, 2022, the District Court issued an order on remedies that will allow Phase I Construction of the Black Butte Copper Project to be completed under the existing permit and vacate the remainder of the permit with remand to the MT DEQ for further review. On July 28, 2022, The Company and the MT DEQ filed a notice of appeal of the District Courts final order to Montana Supreme Court.

Water rights: The Company currently has a lease arrangement with two local ranches to lease sufficient water rights to allow mining and processing operations to proceed. The leased water rights will need to be modified through an administrative proceeding with the MT DNRC to be used to mitigate the beneficial use of water pumped out of the Black Butte operations for mineral processing. This administrative proceeding will determine if the modifications meet the statutory criteria. Once the MT DNRC approves the modifications, the agency's decision is subject to objection and appeal by affected parties.

The Black Butte Copper Project, operated by TMI proposed underground copper mine is located in the Smith River watershed which is 'closed' to filing of any additional water rights appropriations. For use of water from the mine, other water use must be retired to make the needed water volumes available for the mine. In September 2018, the water rights owners who lease water to the Black Butte Copper Project submitted six change applications to the Montana Department of Resources and Conservation (MT DNRC) requesting modifications of their water rights to allow them to use the water for mitigation and leasing as well as irrigation. With these, TMI jointly applied for a ground water right, contingent on the success of the change applications and mitigation plan, and a high water right which would allow TMI to capture and pond excess spring flows for mitigation use throughout the year. On March 13, 2020, the MT DNRC issued Preliminary Determinations to Grant (PDG's) for the water right changes. During the following appeal period, six parties filed objections to the PDG's -- these were the Newlan Creek Water Users Association (NCWUA); the Montana Fish Wildlife and Parks (MT FWP); and four conservation groups (Conservation Objectors) who filed a joint objection. The Conservation Objectors raised issues of legal availability, adverse effects, and adequacy of proposed diversions. They also claimed that the MT DNRC failed to recognize that mine water discharged from the mine will have been put to beneficial use and so would require additional mitigation.

After a short period of negotiations, TMI and NCWUA reached an agreement and NCWUA pulled their objection. TMI also began negotiations with MT FWP. The MT DNRC appointed a Hearings Examiner to hear the objections. On February 23, 2022, the Hearings Examiner granted a motion on behalf of the applicants for a Partial Summary Judgement that upheld the MT DNRC interpretation that direct discharge of dewatered mine water does not constitute a beneficial use of water. On March 14, 2022, the Conservation Objectors indicated that they intended to appeal the Partial Summary Judgement. Subsequent negotiations between TMI and the Conservation Objectors resulted in three fully executed agreements containing stipulations which entirely resolved all remaining issues raised by the Conservation Objectors. In addition, negotiations with MT FWP resulted in their withdrawal of their objection.

On July 26, 2022, the Hearings Examiner issued a Final Order in favor of one of the water right changes and is expected to issue Final Orders on the remaining water rights changes based on the negotiated agreements between the parties and we expect the MT DNRC to issue revised water rights to the water right owners, and the ground water right and high water right to TMI in the near future. On August 24, 2022, the Conservation Objectors filed their formal appeal of the Hearings Examiner's Partial Summary Judgement, including a constitutional challenge of the beneficial water use statute, which will be reviewed by district court. The appeal does not obstruct TMI's ability to enjoy their rights to use the water available to them through the revised water rights and permits.

18. MANAGEMENT OF 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 the sourcing and exploration of its resource properties. The Company does not have any externally imposed capital requirements to which it is subject to.

As at June 30, 2022, the Company had capital resources consisting of cash and cash equivalents. The Company manages the 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 the capital structure, the Company may attempt to issue new shares or adjust the amount of cash through a debt financing.

The Company's investment policy is to invest its cash in investment instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from operations.

Refer to Note 1 Nature of operations and going concern.

19. FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy has three levels to classify the inputs to valuation techniques used to measure fair value. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (interest rate, yield curves), or inputs that are derived principally from or corroborated observable market data or other means.

Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

As at June 30, 2022, the carrying value of the Company's financial instruments approximates their fair value due to their short terms to maturity. With the exception of the Company's lease liabilities which are classified as Level 2, the Company's financial assets and liabilities are classified as Level 1.

Liquidity risk
The Company manages liquidity risk by maintaining an adequate cash balance. The Company continuously monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial assets and liabilities.
Interest rate risk

The Company's cash and cash equivalents are subject to interest rate price risk. The Company's interest rate risk management policy for cash and cash equivalents is to purchase highly liquid investments with a term to maturity of three months or less on the date of purchase. The Company does not engage in any hedging activity. The Company earned $6,135 in interest income during year ended June 30, 2022.

Credit risk
The Company maintains substantially all of its cash with major financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits.

Foreign currency risk
As the Company operates on an international basis, currency risk exposures arise from transactions and balances denominated in foreign currencies. The Company's foreign exchange risk arises primarily with respect to the U.S. dollar. A significant portion of the Company's cash and cash equivalents, accounts payable, and expenses are denominated in U.S. dollars. Fluctuations in the exchange rates between these currencies and the Canadian dollar could have a material effect on the Company's business, financial condition, and results of operations. The Company does not engage in any hedging activity.

There have been no changes in the Company's objectives and policies for managing the above-mentioned risks and there has been no significant change in the Company's exposure to each risk during year ended June 30, 2022. As at June 30, 2022, a 10% change in U.S. dollar against Canadian dollar would result in a $0.1 million (2021: $0.6 million) decrease or increase in the Company's net comprehensive loss.