



**Unaudited Condensed Interim Financial Statements**

For the three and nine months ended September 30, 2023, and 2022

*(Expressed in Canadian Dollars)*

**Notice of No Auditor Review of Interim Financial Statements**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying condensed interim financial statements of the company have been prepared by and are the responsibility of the company's management. The company's independent auditor has not performed an audit or review of these condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants.

**Metal Energy Corp.**  
**Condensed Interim Statement of Financial Position**  
(Unaudited - Expressed in Canadian dollars)

	Notes	September 30, 2023	December 31, 2022
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$1,339,576	\$2,777,482
Amounts receivable		63,385	344,916
Prepaid expenses and deposits		83,347	23,177
Due from related party	7	17,476	17,476
<b>TOTAL ASSETS</b>		<b>\$1,503,784</b>	<b>\$3,163,051</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		\$147,769	\$728,167
Due to related parties	7	33,579	26,012
<b>TOTAL LIABILITIES</b>		<b>181,348</b>	<b>754,179</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	8,361,417	8,130,697
Share-based payment reserve	6	2,165,216	2,069,445
Retained earnings		(9,204,197)	(7,791,270)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,322,436</b>	<b>2,408,872</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$1,503,784</b>	<b>\$3,163,051</b>

Nature of operations (Note 1)  
Going concern (Note 2)  
Commitments and contingencies (Notes 5 and 8)

Approved on behalf of the Board of Directors:

"Stephen Stewart"  
Stephen Stewart – Director

"Alexander Stewart"  
Alexander Stewart – Director

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

**Metal Energy Corp.**  
**Condensed Interim Statement of Loss and Comprehensive Loss**  
(Unaudited - Expressed in Canadian dollars)

	Notes	Three months ended September 30		Nine months ended September 30	
		2023	2022	2023	2022
<b>EXPENSES</b>					
Exploration and evaluation expenses	5,7	<b>\$411,689</b>	\$1,298,576	<b>\$875,539</b>	\$4,102,692
Transfer agent, filing fees and shareholder communications		<b>39,224</b>	52,236	<b>117,543</b>	183,643
Management and consulting fees	7	<b>104,988</b>	123,519	<b>300,732</b>	326,440
Audit, accounting and legal		<b>15,244</b>	24,253	<b>59,384</b>	69,980
Share-based compensation	6,7	<b>32,558</b>	(31,781)	<b>41,387</b>	37,387
Office, general and administrative		<b>8,033</b>	7,123	<b>18,342</b>	28,370
<b>TOTAL EXPENSES</b>		<b>\$611,736</b>	\$1,473,926	<b>\$1,412,927</b>	\$4,748,512
<b>(Loss) from operations for the period</b>		<b>(611,736)</b>	1,473,926	<b>(1,412,927)</b>	4,748,512
Flow-through share premium liability recovery		-	131,744	-	535,056
<b>NET (LOSS) FOR THE PERIOD</b>		<b>\$(611,736)</b>	\$1,342,182	<b>\$(1,412,927)</b>	\$4,213,456
<b>Weighted average number of shares - basic and diluted</b>		<b>90,473,805</b>	83,022,464	<b>89,285,933</b>	83,022,464
<b>(Loss) per share – basic and diluted</b>		<b>\$(0.01)</b>	\$0.02	<b>\$(0.02)</b>	\$0.05

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

**Metal Energy Corp.**  
**Condensed Interim Statement of Changes in Equity**  
(Unaudited – Expressed in Canadian dollars)

	Number of shares	Amount	Share-based Payment Reserves	Accumulated Deficit	Total Equity
<b>Balance at December 31, 2021</b>	80,323,834	\$7,335,697	\$2,026,286	\$(3,017,249)	\$6,344,734
Loss for the period	-	-	-	(4,213,456)	(4,213,456)
Share-based compensation	-	-	37,387	-	37,387
Shares issued for option granted	7,698,630	785,000	-	-	785,000
<b>Balance at September 30, 2022</b>	88,022,464	\$8,120,697	\$2,063,673	\$(7,230,705)	\$2,953,665
<b>Balance at December 31, 2022</b>	88,183,680	\$8,130,697	\$2,069,445	\$(7,791,270)	\$2,480,872
Loss for the period	-	-	-	(1,412,927)	(1,412,927)
Share-based compensation	-	-	41,387	-	41,387
Shares and warrants issued for option agreements	4,800,000	228,000	54,384	-	282,384
Warrants exercised	27,200	2,720	-	-	2,720
<b>Balance at September 30, 2023</b>	<b>93,010,880</b>	<b>\$8,361,417</b>	<b>\$2,165,216</b>	<b>\$(9,204,197)</b>	<b>\$1,322,436</b>

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

**Metal Energy Corp.**  
**Interim Statement of Cash Flows**  
(Expressed in Canadian dollars)

<i>For the periods ended</i>	<b>September 30, 2023</b>	<b>September 30, 2022</b>
<b>Operating activities</b>		
(Loss) for the period	<b>\$(1,412,927)</b>	\$(4,213,456)
Items not involving cash		
Share-based payments	<b>41,387</b>	37,387
Flow-through share premium liability recovery	-	(535,056)
Shares and warrants issued for exploration expenses	<b>282,380</b>	785,000
Changes in non-cash working capital items		
GST/HST receivable	<b>281,531</b>	(188,496)
Prepaid expenses and deposits	<b>(60,170)</b>	(15,000)
Accounts payable and accrued liabilities	<b>(580,394)</b>	(10,653)
Due to related party	<b>7,567</b>	6,146
Net cash (used in) operating activities	<b>\$(1,440,626)</b>	\$(4,134,128)
<b>Financing activities</b>		
Proceeds from warrant exercise	<b>2,720</b>	-
Net cash provided by financing activities	<b>\$2,720</b>	\$-
<b>Investing activities</b>		
Net cash (used in) investing activities	<b>\$-</b>	\$-
<b>Net (decrease) increase in cash</b>	<b>(1,437,906)</b>	(4,134,128)
<b>Cash, beginning of period</b>	<b>2,777,482</b>	7,014,348
<b>Cash, end of period</b>	<b>\$1,339,576</b>	\$2,880,220

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

## **Metal Energy Corp.**

### **Notes to the Condensed Interim Financial Statements**

For the three and nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

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#### **1. NATURE OF OPERATIONS**

Metal Energy Corp. ("Metal Energy" or the "Company"), was incorporated under the Alberta Business Corporations Act on February 1, 2021. The Company completed its Initial Public Offering on April 19, 2021 and was classified as a Capital Pool Company ("CPC") as defined by the TSX Venture Exchange ("TSX-V").

On November 19, 2021, the Company completed a reverse take-over transaction ("RTO Transaction") with D Block Discoveries Inc. ("D Block"), wherein the Company acquired 100% of the issued and outstanding shares of D Block. As a result of the share exchange, D Block is considered to have control. While the Company is the legal acquirer, the accounting acquirer is D Block and these financial statements are presented with D Block as the continuing entity. Upon closing of the RTO Transaction, the Company changed its name to Metal Energy Corp. and began trading on the TSX-V under the symbol "MERC".

The Company's principal business is the acquisition and exploration of mineral properties. To date, the Company has not earned revenue as it is in the exploration stage. The ability of the Company to carry out its business plan rests with its ability to secure equity and other financing.

The head and principal office of the Company is located at 55 University Avenue, Suite 1805, Toronto, Ontario, M5J 2H7.

#### **2. GOING CONCERN**

The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts expended on mineral properties is dependent upon future profitable production or proceeds from the disposition of properties.

The business of mining and exploration involves a high degree of risk and there can be no assurance that the Company's exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the discovery of economically recoverable reserves and resources, securing and maintaining title and beneficial interest in its properties, making the required payments pursuant to mineral property option agreements and/or securing additional financing; all of which are uncertain.

Although the Company has taken steps to verify title to the properties on which it is conducting its exploration activities, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, social licensing requirements, aboriginal land claims and non-compliance with regulatory and environmental requirements. The Company's property interests may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

The Company has not raised funds throughout the current period. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and existing shareholders may have their interest diluted. If adequate financing is not available, the Company may be required to relinquish rights to certain of its interests or terminate its operations.

As at September 30, 2023, the Company had working capital of \$1,322,436 (December 31, 2022 - \$2,408,872) and an accumulated deficit of \$9,204,197 (December 31, 2022 - \$7,791,270).

The Company has no proven history of performance, earnings or success. However, management believes that the Company has sufficient working capital to continue operating over the next 12 months.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and will be able to

## **Metal Energy Corp.**

### **Notes to the Condensed Interim Financial Statements**

For the three and nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

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realize its assets and discharge its liabilities in the normal course of operations. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than in the normal course of business and at amounts that may differ from those shown in these financial statements. Such adjustments could be material.

### **3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION**

#### **a) Statement of compliance and basis of measurement**

These unaudited condensed interim financial statements (“interim financial statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) with interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) which the Canadian Accounting Standards Board has approved for incorporation into Part I of the CPA Canada Handbook – Accounting, as applicable to the preparation of interim financial statements, including International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”). These interim financial statements should be read in conjunction with the December 31, 2022 annual financial statements. These interim financial statements were authorized for issuance by the Audit Committee on behalf of the Board of Directors on November 29, 2023.

These interim financial statements follow the same accounting principles and methods of application as disclosed in the financial statements as at and for the year ended December 31, 2022. The interim financial statements may condense or omit certain disclosures that otherwise would be present in annual financial statements prepared in accordance with IFRS.

#### **b) Significant accounting judgments and sources of estimation uncertainty**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts and the valuation of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period reported.

Management uses its best estimates for these purposes, based on assumptions that it believes reflect the most probable set of economic conditions and planned courses of action. However, actual results could differ materially from these estimates.

The significant areas of estimation and uncertainty considered by management in preparing the condensed interim financial statements for the nine-month period ended September 30, 2023 are the same as those described in the Company’s annual financial statements for the year ended December 31, 2022.

#### **c) Significant accounting policies**

The Company’s accounting policies applied to all periods presented in these Financial Statements are the same as those applied by the Company in its annual financial statements as at and for the year ended December 31, 2022, except as detailed in note 4.

### **4. FUTURE ACCOUNTING PRONOUNCEMENTS**

At the date of authorization of these interim financial statements, the IASB has issued new and revised Standards and Interpretations which are not yet effective for the relevant reporting period. Many are not applicable or do not have a significant impact to the Company. Management is currently evaluating the impact of these pronouncements on the Company’s interim financial statements.

**Metal Energy Corp.**  
**Notes to the Condensed Interim Financial Statements**

For the three and nine months ended September 30, 2023 and 2022  
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**5. EXPLORATION AND EVALUATION EXPENSES**

The following are details of the Company's exploration and evaluation expenses:

	September 30, 2023	September 30, 2022	Cumulative Since Property Inception
Strange Project, Thunder Bay, Ontario	\$-	\$428,402	\$990,617
SourceRock Project, Thunder Bay, Ontario	596,952	-	596,952
Manibridge Project, Thomson, Manitoba	278,587	3,674,290	4,565,561
	<b>\$875,539</b>	<b>\$4,102,692</b>	<b>\$6,153,130</b>

**Manibridge Project, Manitoba**

Metal Energy owns 85% of the Manibridge Project and Mistango River Resources ("Mistango") owns 15% of the Manibridge Project. Pursuant to the call option agreement in 2022, Mistango, agreed to sell the interest in the project to Metal Energy, as purchaser, on the closing date. Such closing date to be on or before thirty days after Metal Energy has given notice to Mistango of its desire to exercise its call option. Such call option is Metal Energy's right to acquire the Interest at any time after February 28, 2023 but before April 30, 2024. The purchase price payable by Metal Energy to Mistango for the interest on the closing date is \$2,250,000, which may be paid, at the sole option of Metal Energy, in cash or in common shares of Metal Energy. If paid in Metal Energy shares, the price per share shall be equal to the 15 day vwap of such shares on the TSX-V ending three business days prior to the closing date. The 15% interest is subject to the NSR.

The exercise of the call option and the completion of the transfer of Interest from Mistango to Metal Energy at the closing date shall be subject to the prior approval of the TSX-V. There is no assurance that TSX-V approval of the call option will be obtained.

CanAlaska has a 1% NSR on claims P1271F and P1272F, and a 2% NSR royalty on all other claims.

In May 2021, when the Company entered into an option and joint venture agreement with CanAlaska Uranium Ltd. To earn 100% of the Manibridge Project, certain other rights, interests and protections were granted in favour of Glencore Canada Corporation ("Glencore"), including Back-in Rights, Off-take Options, the Right of First Offer and a 2% royalty ("Vendor Retained Interests"). The Back-in-Rights allow Glencore to acquire a 50% interest in the property by paying two times the aggregate of all exploration expenditures incurred and carrying out a feasibility study with a maximum cost of \$20,000,000. Glencore also has a right of first refusal on the sale of the property and a first right and option to purchase all or any portion of concentrates produced from the property.

**Strange Project, Ontario**

On July 5, 2023, the Company issued a formal notification indicating its intent to abandon the Strange claims in accordance with the terms stipulated in the option agreement.

**SourceRock, Ontario**

On July 26, 2023, the Company closed its acquisition of the initial land package for SourceRock, an area prospective for lithium brines in the Thunder Bay-Nipigon area of northwestern Ontario. The Company entered into an option agreement with an arms-length vendor to acquire an undivided 100% interest in SourceRock. Upon receipt of approvals, the Company completed a \$50,000 cash payment to the vendor. In June 2023, the Company completed its commitment to a staking program valued at greater than \$100,000 representing 2,000 claim units registered under the Company, after which SourceRock comprised of over 900 square kilometers.

Under the remaining terms of the agreement, at closing, the Company issued:

- 3,000,000 common shares of Metal Energy,

## **Metal Energy Corp.**

### **Notes to the Condensed Interim Financial Statements**

For the three and nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

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- 1,500,000 warrants to the vendor. Each warrant is exercisable to acquire one common share of the Company at an exercise price of \$0.10 per share. The warrants will expire after 36 months from July 25, 2023; and
- \$500,000 worth of common shares on or before the first anniversary of July 25, 2023. Such shares will be valued at a price per share equal to the volume-weighted trading price of the Company's shares on the TSXV for 20 trading days prior to the issue date of such shares. If the price per share is below \$0.04, the balance of the \$500,000 in value will be paid in cash.

The Vendor has retained a 3% net smelter returns royalty as part of the option agreement. The Company has the right to purchase 1% of the royalty for \$500,000 up until the fourth anniversary of July 25, 2023. Upon completion of the first 1% of the royalty, the Company retains the right to purchase the remaining 2% of the royalty for \$5,000,000 up until the tenth anniversary of July 25, 2023.

On July 8, 2023, Metal Energy entered into an agreement with an arm's length vendor to acquire an undivided 100% interest in 9 mining claims (189 hectares) adjacent to SourceRock. On August 9, 2023, the Company closed the acquisition. Under the terms of the agreement, on closing, the Company issued;

- 1,800,000 common shares of Metal Energy; and
- \$10,000 in cash.

Metal Energy will be the operator of the 9 mining claims and as such will have the rights and responsibility to execute all work programs on the Project.

Further to the consideration listed above, the vendor retains a 2% Gross Value Royalty ("GVR") on the claims. The Company has the right to purchase 1% of the GVR from the vendor for \$1,000,000 at any time.

## **6. SHARE CAPITAL**

### ***Authorized share capital***

Unlimited number of voting common shares without par value.

### ***Issued share capital***

(a) On March 22, 2022, the Company issued 1,198,630 common shares as payment on the Manibridge Project property option agreement at a valuation of \$175,000. On March 31, 2022, the Company issued 1,500,000 common shares as payment on the Manibridge Project property option agreement at a valuation of \$210,000. Shares were valued based on the quoted market price of the Company's shares at the date of issuance.

(b) In April 2023, the Company issued 27,200 common shares from the exercise of warrants for cash proceeds of \$2,720.

(c) On July 23, 2023, the Company issued 3,000,000 common shares as payment on the SourceRock Project property option agreement at a valuation of \$120,000. Shares were valued based on the quoted market price of the Company's shares at the date of issuance. Refer to Note 5.

(d) On August 8, 2023, the Company issued 1,800,000 common shares as payment on the SourceRock Project property option agreement at a valuation of \$108,000. Shares were valued based on the quoted market price of the Company's shares at the date of issuance. Refer to Note 5.

**Metal Energy Corp.****Notes to the Condensed Interim Financial Statements**

For the three and nine months ended September 30, 2023 and 2022  
(Unaudited - Expressed in Canadian dollars)

**Stock options**

<i>For the periods ended</i>	<b>September 30, 2023</b>			<b>September 30, 2022</b>		
	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Weighted average life (years)</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Weighted average life (years)</b>
Outstanding, beginning of period	<b>7,900,000</b>	<b>\$0.20</b>	<b>3.91</b>	8,450,000	\$0.19	4.61
Granted	<b>3,900,000</b>	<b>0.07</b>	<b>5.0</b>	410,000	\$0.16	5.00
Forfeited	<b>(450,000)</b>	<b>0.20</b>	<b>3.5</b>	(200,000)	\$0.20	4.50
Options outstanding, end of period	<b>11,350,000</b>	<b>\$0.15</b>	<b>3.7</b>	8,660,000	\$0.19	3.88
Options exercisable, end of period	<b>7,450,000</b>	<b>\$0.20</b>	<b>3.2</b>	8,560,000	\$0.19	3.88

The following incentive stock options were outstanding and exercisable at September 30, 2023:

<b>Number of options outstanding</b>	<b>Number of options exercisable</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
6,800,000	6,800,000	\$0.20	19-Nov-26
250,000	250,000	\$0.20	19-Dec-26
200,000	200,000	\$0.16	01-Apr-27
200,000	200,000	\$0.16	01-Apr-27
450,000	-	\$0.07	04-Jan-28
3,450,000	-	\$0.07	05-Aug-24
<b>11,350,000</b>	<b>7,450,000</b>	<b>\$0.15</b>	

**Warrants**

The following warrants were outstanding and exercisable at September 30, 2023:

<b>Number of warrants outstanding</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Weighted average life (years)</b>
6,790,000	0.30	29-Nov-23	0.16
570,001	0.30	29-Nov-23	0.16
7,308,116	0.30	29-Nov-23	0.16
380,825	0.30	29-Nov-23	0.16
1,500,000	0.10	25-Jul-26	2.82
<b>16,548,942</b>	<b>\$0.28</b>		<b>0.40</b>

**Issued warrants**

- (a) On July 23, 2023, the Company issued 1,500,000 warrants as payment on the SourceRock Project property option agreement. The valuation of the warrants was estimated in the amount of \$54,380 using the Black-Scholes option pricing model. Refer to Note 5.

The following assumptions were used in the Black-Scholes option pricing model calculations: expected dividend yield rate of 0%, expected volatility of 126% based on historical volatility, risk free interest rate of 4.46%, share price of \$0.06 and an expected life of 3 years.

**Metal Energy Corp.****Notes to the Condensed Interim Financial Statements**

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**Compensation options**

Compensation options are exercisable into units comprising one share and one-half of one warrant. A summary of the changes in the Company's compensation options is set out below:

<i>For the three ended</i>	<b>September 30, 2023</b>			<b>September 30, 2022</b>		
	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Weighted average life (years)</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Weighted average life (years)</b>
Outstanding, beginning of period	<b>1,140,002</b>	<b>\$0.20</b>	<b>0.88</b>	1,140,002	\$0.20	1.89
Granted	-	-	-	-	-	-
Options outstanding, end of period	<b>1,140,002</b>	<b>\$0.20</b>	<b>0.14</b>	1,140,002	\$0.20	1.14
Options exercisable, end of period	<b>1,140,002</b>	<b>\$0.20</b>	<b>0.14</b>	1,140,002	\$0.20	1.14

**7. RELATED PARTY TRANSACTIONS****Key management personnel compensation**

Key management includes directors and officers. The remuneration of the key management of the Company during the period ended September 30, 2023 and 2022 was as follows:

	<b>September 30, 2023</b>	<b>September 30, 2022</b>
Geological consulting included in exploration expenses	<b>\$63,630</b>	\$161,962
Management and consulting fees	<b>267,883</b>	160,597
Share-based payments	<b>35,316</b>	13,845
	<b>\$366,829</b>	\$336,404

Standard Ore Corporation ("Standard Ore") is controlled by a director of the Company. Standard Ore provides corporate and administrative services to the Company. For the period ended September 30, 2023, Standard Ore charged the Company \$90,000 of management fees, which is included in the amounts in the above chart (September 30, 2022 - \$90,000).

The following are the balances due from (to) related parties as at September 30, 2023 and December 31, 2022:

	<b>2023</b>	<b>2022</b>
Due from Standard Ore Corporation	<b>\$17,476</b>	\$17,476
Due (to) Baselode Energy Corp.	<b>(31,508)</b>	(23,941)
Due (to) QC Copper and Gold Inc,	<b>(2,071)</b>	(2,071)
	<b>\$(16,103)</b>	\$(8,536)

Baselode Energy Corp and QC Copper and Gold Inc. have certain directors and officers in common with the Company.

All of the amounts are unsecured, non-interest bearing with no fixed terms of repayment.

**Metal Energy Corp.**  
**Notes to the Condensed Interim Financial Statements**

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**8. COMMITMENTS AND CONTINGENCIES**

(a) The Company's exploration activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

**9. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns to shareholders and benefits to other stakeholders. The Company considers the items included in equity as capital. The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through equity offerings or return capital to shareholders.

There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management in the period.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

**10. FINANCIAL RISK MANAGEMENT**

The Company is exposed in varying degrees to a variety of financial instrument-related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

***Fair value of financial instruments***

The fair value of financial instruments approximates their carrying value due to the short-term maturity of these instruments. As at September 30, 2023 and December 31, 2022, the Company has no financial instruments to classify in the fair value hierarchy. The fair value of the Company's financial instruments approximate their carrying amount given their short term nature.

***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. GST/HST receivable is due from the Government of Canada and the Company believes the risk of loss related to these is remote. The Company's exposure to credit risk is on its cash held in bank accounts. Cash is held with major banks in Canada. Management assesses credit risk of cash as remote.

***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company strives to ensure that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. The Company's accounts payable and accrued liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms. In the long-term, the Company may have to issue additional equity to ensure there is sufficient capital to meet long-term objectives.

***Currency and interest rate risk***

The Company is not exposed to any significant foreign exchange risk or interest rate risk.

**Metal Energy Corp.****Notes to the Condensed Interim Financial Statements**

For the three and nine months ended September 30, 2023 and 2022  
(Unaudited - Expressed in Canadian dollars)

***Classification of financial instruments***

Financial assets and liabilities included in the statement of financial position are as follows:

	September 30, 2023	December 31, 2022
<b>Financial assets at amortized costs:</b>		
Cash	\$1,339,576	\$2,777,482
Due from related party	17,476	17,476
	<b>\$1,357,052</b>	<b>\$2,794,958</b>
<b>Financial liabilities at amortized cost:</b>		
Accounts payable and accrued liabilities	\$147,769	\$728,167
Due to related party	33,579	26,012
	<b>\$181,348</b>	<b>\$754,179</b>