

VERTICAL EXPLORATION INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2023 AND 2022

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Vertical Exploration Inc.

Opinion

We have audited the accompanying financial statements of Vertical Exploration Inc. (the "Company"), which comprise the statements of financial position as at February 28, 2023 and 2022, and the statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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 Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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 in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that the Company will need additional capital to operate for the upcoming year. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

Key Audit Matters

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

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Assessment of Impairment Indicators of Exploration and Evaluation Assets ("E&E Assets")

As described in Note 4 to the financial statements, the carrying amount of the Company's E&E Assets was \$4,971,527 as of February 28, 2023. As more fully described in Note 2 to the financial statements, management assesses E&E Assets for indicators of impairment at each reporting period.



The principal considerations for our determination that the assessment of impairment indicators of the E&E Assets is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Assets, specifically relating to the assets' carrying amount which is impacted by the Company's intent and ability to continue to explore and evaluate these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the E&E Assets.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the financial statements. Our audit procedures included, among others:

- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the E&E Assets through discussion and communication with management.
- Reviewing the Company's recent expenditure activity.
- Obtaining, on a test basis through government websites, confirmation of title to ensure mineral rights underlying the E&E Assets are in good standing.

Assessment of Asset Retirement Obligation

As described in Note 3 to the financial statements, the Company recognized an asset retirement obligation of \$157,398 as at February 28, 2023. As more fully described in Note 2 to the financial statements, accounting for the Company's asset retirement obligation requires management to exercise judgement and make estimates on the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations.

The principal considerations for our determination that the asset retirement obligation is a key audit matter are that there was judgment made by management when assessing the reclamation work to be performed, and estimation uncertainty as to the amount and timing of costs to be incurred. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the estimates and judgments made by management in their assessment of the asset retirement obligation.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the financial statements. Our audit procedures included, but were not limited to:

- Evaluating the qualifications, competence and objectivity of management's internal expert who assisted management with the cost estimates.
- Comparing management's estimate of rehabilitation costs to cost information available from third parties for significant items.
- Evaluating the appropriateness of discount and inflation rates applied to calculate the net present value of the provision and comparing them against available market data.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

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

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. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements.

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

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

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

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

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

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

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

June 28, 2023

VERTICAL EXPLORATION INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	February 28, 2023	February 28, 2022
ASSETS		
Current		
Cash	\$ 5,737	\$ 1,650,962
GST receivable	65,262	58,227
Prepaid expenses	6,281	61,867
	77,280	1,771,056
Building (Note 3)	566,335	-
Exploration and evaluation assets (Note 4)	4,971,527	3,874,017
	\$ 5,615,142	\$ 5,645,073
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6 and 7)	\$ 453,214	\$ 187,628
	453,214	187,628
Asset retirement obligation (Note 3)	157,398	-
	610,612	187,628
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	12,457,812	12,457,812
Share-based payment reserve (Note 5)	2,252,315	2,141,815
Deficit	(9,705,597)	(9,142,182)
	5,004,530	5,457,445
	\$ 5,615,142	\$ 5,645,073

Nature of Operations and Going Concern (Note 1)
Subsequent Event (Note 12)

Approved on Behalf of the Board of Directors:

"Peter Swistak"

Director

"John Sutherland"

Director

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

VERTICAL EXPLORATION INC.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	For the year ended February 28,	
	2023	2022
Expenses		
Bank charges and interest	\$ 68	\$ 137
Consulting fees	163,672	291,640
Depreciation (Note 3)	29,807	-
Filing fees	10,095	31,823
Gain on flow-through liability recovery	(13,000)	-
Management fees (Note 6)	120,000	120,000
Office and miscellaneous	25,545	17,813
Promotion and marketing	9,700	53,521
Professional fees (Note 6)	77,137	68,952
Rent	18,000	18,000
Reversal of accrued liabilities	-	(50,000)
Share-based payments (Note 5 and 6)	110,500	415,000
Transfer agent fees	11,891	17,008
Loss and Comprehensive Loss For the Year	\$ (563,415)	\$ (983,894)
Loss Per Share, Basic and Diluted	\$ (0.00)	\$ (0.01)
Weighted Average Common Shares Outstanding		
– Basic and Diluted	123,284,053	97,951,019

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

VERTICAL EXPLORATION INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

	Share Capital		Subscriptions Received in Advance	Share Based Payment Reserve	Deficit	Shareholders' Equity
	Shares	Amount				
Balance at February 28, 2021	84,839,002	\$ 8,370,372	\$ 7,500	\$ 1,679,974	\$ (8,158,288)	\$ 1,899,558
Private placement	30,651,701	3,715,170	-	-	-	3,715,170
Share issuance costs - cash	-	(163,056)	-	-	-	(163,056)
Share issuance costs - warrants	-	(70,600)	-	70,600	-	-
Exercise of options	1,050,000	74,976	-	(22,476)	-	52,500
Exercise of warrants	3,243,350	163,450	(7,500)	(1,283)	-	154,667
Share-based payments	-	-	-	415,000	-	415,000
Shares issued for mineral properties	3,500,000	367,500	-	-	-	367,500
Loss for the year	-	-	-	-	(983,894)	(983,894)
Balance at February 28, 2022	123,284,053	12,457,812	-	2,141,815	(9,142,182)	5,457,445
Share-based payments	-	-	-	110,500	-	110,500
Loss for the year	-	-	-	-	(563,415)	(563,415)
Balance at February 28, 2023	123,284,053	\$ 12,457,812	\$ -	\$ 2,252,315	\$ (9,705,597)	\$ 5,004,530

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

VERTICAL EXPLORATION INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	For the year ended	
	2023	February 28, 2022
Cash Flows Provided By (Used In):		
Operating Activities		
Loss for the year	\$ (563,415)	\$ (983,894)
Items not involving cash:		
Depreciation	29,807	-
Flow-through liability recovery	13,000	-
Reversal of accrued liabilities	-	(50,000)
Share-based payments	110,500	415,000
Net change in non-cash working capital items:		
Commodity tax recoverable	(7,035)	(53,424)
Prepaid expenses	55,586	(57,100)
Accounts payable and accrued liabilities	95,641	40,915
	<u>(265,916)</u>	<u>(688,503)</u>
Investing Activities		
Purchase of building	(438,744)	-
Exploration and evaluation assets	(940,565)	(1,367,764)
	<u>(1,379,309)</u>	<u>(1,367,764)</u>
Financing Activities		
Private Placement	-	3,577,200
Exercise of options	-	52,500
Exercise of warrants	-	154,667
Share issuance costs	-	(163,056)
	<u>-</u>	<u>3,621,311</u>
Change in cash during the year	(1,645,225)	1,565,044
Cash, beginning of year	1,650,962	85,918
Cash, end of year	\$ 5,737	\$ 1,650,962

Supplemental disclosure with respect to cash flows (Note 9)

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

VERTICAL EXPLORATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023 AND 2022
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Vertical Exploration was incorporated under the Business Corporations Act (British Columbia) and is listed on the TSX Venture Exchange (“TSX-V”). The Company’s corporate office is located at Suite 1240 – 789 West Pender Street, Vancouver, BC, V6C 1H2, Canada. The Company is a TSX-V junior mining company with exploration and evaluation assets in Canada.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of financial statements, with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation for the foreseeable future. The operations of the Company were primarily funded by the issue of share capital and loans. The continued operations of the Company are dependent on its ability to develop a sufficient financing plan, receive continued financial support from related parties, complete sufficient public equity financing, or generate profitable operations in the future. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the company be unable to continue in business.

The Company is in the business of exploring for minerals that by its nature involves a high degree of risk. There can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of the exploration and evaluation assets and the Company’s continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, the ability of the Company to obtain financing or, alternatively, upon the Company’s ability to dispose of its interest on an advantageous basis. Additionally, the Company estimates that it will need additional capital to operate for the upcoming year. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

	February 28, 2023	February 28, 2022
Working capital (deficiency)	\$ (375,934)	\$ 1,583,428
Deficit	\$ (9,705,597)	\$ (9,142,182)

VERTICAL EXPLORATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023 AND 2022
(Expressed in Canadian dollars)

2. SUMMARY OF ACCOUNTING POLICIES

Basis of presentation

The financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. The financial statements are presented in Canadian dollars which is the functional currency of the Company.

In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The policies applied in the financial statements are presented below and are based on IFRS' issued and outstanding as of June 28, 2023; the date the Board of Directors approved the financial statements.

Estimates and judgments

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

- i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position.
- ii) The inputs in the Black-Scholes option pricing model to value stock options and compensatory warrants.
- iii) The estimated costs of future reclamation, inflation and discount rates to value asset retirement obligation.

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

- i) Economic recoverability and probability of future benefits of exploration and evaluation costs

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, scoping and feasibility studies, accessible facilities and existing permits.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

- ii) Black-Scholes Option Pricing Model

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation and finder's warrants. Option pricing models require the input of subjective assumptions including expected price volatility, interest rates, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity settled benefits.

VERTICAL EXPLORATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023 AND 2022
(Expressed in Canadian dollars)

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Estimates and judgments (Continued)

iii) Decommissioning and rehabilitation provision

Management's determination of the Company's decommissioning and rehabilitation provision is based on the reclamation and closure activities it anticipates as being required and its estimate of the probable costs and timing of such activities and measures. Accounting for reclamation obligations requires management to make estimates and judgements of the future costs the Company will incur to complete the reclamation work required to comply with existing laws and regulations at each mining operation and exploration and development property. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation. The provision represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the amounts currently provided.

Financial instruments

(i) Financial assets

All financial assets are measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial assets' classification, as described below:

Fair value through profit or loss ("FVTPL"): Financial instruments designated at FVTPL are initially recognized and subsequently measured at fair value with changes in those fair values charged immediately to profit or loss. Financial instruments under this classification include cash.

Amortized cost: Financial instruments designated at amortized cost are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method.

Fair value through other comprehensive income ("FVOCI"): Financial instruments designated at FVOCI are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at fair value with changes in fair value recognized in other comprehensive income, net of tax.

(ii) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or amortized cost. Financial liabilities classified as amortized cost are initially recognized at fair value less directly attributable transaction costs. The Company's accounts payable and accrued liabilities, are classified as amortized cost. The Company does not currently have any FVTPL financial liabilities.

VERTICAL EXPLORATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023 AND 2022
(Expressed in Canadian dollars)

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

(iii) *Impairment of financial assets*

There is a three-stage expected credit loss model for calculating impairment for financial assets. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments.

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

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency for the Company is the Canadian dollar.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in profit or loss for the period.

Loss per share

The Company presents basic loss per share 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.

Building

Building is recorded at cost and depreciated using the declining balance method at the following rates per annum.

Building 10% per annum

Building and equipment that is withdrawn from use, or has no reasonable prospect of being recovered through use or sale, are regularly identified and written off. The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent expenditures relating to an item of equipment are capitalized when it is probable that future economic benefits from the use the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance.

VERTICAL EXPLORATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023 AND 2022
(Expressed in Canadian dollars)

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Exploration and evaluation assets

Upon acquiring the legal right to explore a property, costs related to the acquisition, exploration and evaluation of exploration and evaluation assets are capitalized by property. If commercially profitable ore reserves are developed, capitalized costs of the related exploration and evaluation assets are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and development costs are not recoverable over the estimated economic life of the exploration and evaluation assets, or the exploration and evaluation assets are abandoned, or management deems there to be an impairment in value, the exploration and evaluation assets is written down to its net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized in profit or loss in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the year. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

VERTICAL EXPLORATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023 AND 2022
(Expressed in Canadian dollars)

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Decommissioning and restoration provision

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and property, plant and equipment assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets or property, plant and equipment assets, along with a corresponding increase in the rehabilitation provision in the year incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets, or property, plant, and equipment assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the year.

Valuation of equity units issued in private placements

The Company uses the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measured component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in a private placement was determined to be the more easily measurable component and were valued at their fair value. The balance, if any, was allocated to the attached warrants. Any value attributed to the warrants is recorded as share-based payment reserve.

Share-based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options and compensatory warrants are measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

VERTICAL EXPLORATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023 AND 2022
(Expressed in Canadian dollars)

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Share issue costs

Costs directly identifiable with the raising of capital will be charged against the related share capital. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.

Flow-through shares

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby any premium paid for the flow through shares in excess of the market value of the shares without flow-through features at the time of issue is credited to flow-through premium liability and included in profit or loss at the same time the qualifying expenditures are made.

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded by providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Newly adopted accounting policy

There were no new pronouncements that would have any significant effect on these financial statements during the year ended February 28, 2023.

Accounting standards and amendments issued but not yet adopted

The Company has performed an assessment of new standards issued by the IASB that are not yet effective and has determined that any new standards that have been issued would have no or very minimal impact on the Company's financial statements.

VERTICAL EXPLORATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023 AND 2022
(Expressed in Canadian dollars)

3. BUILDING

Property and equipment are carried at cost less accumulated depreciation. Details are as follows:

	Building
Cost	
Balance, February 28, 2021 and 2022	\$ -
Additions	596,142
Balance, February 28, 2023	<u>\$ 596,142</u>
Accumulated Depreciation	
Balance, February 28, 2021 and 2022	\$ -
Additions	29,807
Balance, February 28, 2023	<u>\$ 29,807</u>
Carrying amounts	
Balance, February 28, 2022	\$ -
Balance, February 28, 2023	<u>\$ 566,335</u>

The Company's asset retirement obligations are estimated based on the management estimation on the costs associated with the site remediation and restoration plan, such as equipment rental and labour costs, provided by consultants who worked in the mining industry.

The undiscounted amount of estimated cash flows required to settle the asset retirement obligations was \$225,120 at February 28, 2023. At February 28, 2023, the estimated future cash flows were discounted using a risk free rate of 3.20% and an inflation rate of 2.00% resulting in a present value of \$157,398 which has been capitalized and recognized to the total cost of the building. The asset retirement obligations will be accreted over a period of 30 years.

VERTICAL EXPLORATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023 AND 2022
(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation assets properties involves certain inherent risks due to the difficulties of determining the validity of certain claims. The Company has investigated title to its exploration and evaluation assets and, to the best of its knowledge, title to its exploration and evaluation assets are in good standing.

	Year Ended February 28, 2023	
	St. Onge Wollastonite Deposit	Total
Acquisition costs, beginning of year	\$ 1,852,500	\$ 1,852,500
Acquisition costs, end of year	\$ 1,852,500	\$ 1,852,500
Exploration costs, beginning of year	\$ 2,021,517	\$ 2,021,517
Assays/lab	114,295	114,295
Geo-consulting	459,939	459,939
Drilling	42,055	42,055
Equipment	83,576	83,576
Field expenses	156,304	156,304
Meal and lodging	263,166	263,166
Less: recovery*	(21,825)	(21,825)
Exploration costs, end of year	\$ 3,119,027	\$ 3,119,027
Total, end of year	\$ 4,971,527	\$ 4,971,527

* recovery consists of sales of wollastonite

	Year Ended February 28, 2022	
	St. Onge Wollastonite Deposit	Total
Acquisition costs, beginning of year	\$ 960,000	\$ 960,000
Cash paid	525,000	525,000
Shares issued	367,500	367,500
Acquisition costs, end of year	\$ 1,852,500	\$ 1,852,500
Exploration costs, beginning of year	\$ 1,178,753	\$ 1,178,753
Geo-consulting	793,762	793,762
Drilling	49,002	49,002
Exploration costs, end of year	\$ 2,021,517	\$ 2,021,517
Total, end of year	\$ 3,874,017	\$ 3,874,017

VERTICAL EXPLORATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023 AND 2022
(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS

St. Onge Wollastonite Deposit

During the year ended February 28, 2018, the Company entered into an option agreement to acquire the St. Onge Wollastonite Deposit, located in the St-Onge township, in the Saguenay – Lac St. Jean region of Quebec. The Company earned a 100% interest by making cash payments of \$750,000, issuing 8,000,000 common shares (valued at \$670,000) and incurring \$2,000,000 in exploration expenditures.

The Company also granted a 2% net smelter return royalty, of which 1% can be purchased by the Company for \$1,000,000. Additionally, a \$5 per tonne royalty on the first million tonnes of raw material shipped from the property without processing was granted.

During the year ended February 29, 2020, the Company acquired additional claims in consideration of 1,000,000 common shares (issued and valued at \$40,000).

During the year ended February 28, 2022, the Company acquired additional claims in consideration of \$25,000 cash payment (paid) and 3,500,000 common shares (issued and valued at \$367,500).

5. SHARE CAPITAL, STOCK OPTIONS AND WARRANTS

Authorized share capital – an unlimited number of common shares without par value

SHARES ISSUED DURING THE YEAR ENDED FEBRUARY 28, 2023

During the year ended February 28, 2023, the Company had no share activity.

SHARES ISSUED DURING THE YEAR ENDED FEBRUARY 28, 2022

During the year ended February 28, 2022, the Company:

- i) issued 3,243,350 common shares pursuant to the exercise of warrants for gross proceeds of \$162,167, of which \$7,500 were subscriptions received in advance, and accordingly the Company reallocated \$1,282 from share-based payment reserve to share capital.
- ii) issued 1,050,000 common shares pursuant to the exercise of options for gross proceeds of \$52,500, and accordingly the Company reallocated \$22,476 from share-based payment reserve to share capital.
- iii) closed a non-brokered private placement of 17,651,700 units at a price of \$0.10 per unit for proceeds of \$1,765,170 of which \$137,970 was settlement of accounts payable. Each unit is comprised of one common share and one warrant of the Company. Each whole warrant entitles the holder to purchase one share at an exercise price of \$0.15 until October 7, 2022. In connection with the private placement, the Company paid fees of \$70,056 in cash.

VERTICAL EXPLORATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023 AND 2022
(Expressed in Canadian dollars)

5. SHARE CAPITAL, STOCK OPTIONS AND WARRANTS (CONTINUED)

- iv) closed a non-brokered private placement of 13,000,001 flow-through units at a price of \$0.15 per unit for proceeds of \$1,950,000. Each flow-through unit is comprised of one common share and one warrant of the Company. Each warrant entitles the holder to purchase one share at an exercise price of \$0.16 until December 23, 2022, and then the exercise price will increase to \$0.25 until December 23, 2023. The warrants are subject to an acceleration clause. In connection with the private placement, the Company paid \$93,000 in cash and 620,000 finder's warrants valued at \$70,600. Each finder's warrant entitles the holder to purchase one share at an exercise price of \$0.16 until December 23, 2022, and then the exercise price will change to \$0.25 until December 23, 2023.
- v) issued 3,500,000 shares valued at \$367,500 pursuant to the acquisition of properties near the St. Onge Wollastonite Deposit (Note 4).

STOCK OPTIONS

The Company adopted an equity settled stock option plan. The Company follows the policies of the TSX-V under which it would be authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company.

Under the policies, the exercise price of each option equals the market price or a discounted price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of five years. Vesting terms are determined by the Board of Directors at the time of grant.

During the year ended February 28, 2023, the Company:

- i) granted 300,000 stock options, exercisable at a price of \$0.15 per option until July 4, 2023, and resulting in share-based compensation of \$7,300, calculated using the Black-Scholes pricing model.
- ii) granted 1,000,000 stock options, exercisable at a price of \$0.15 per option until August 5, 2025, and resulting in share-based compensation of \$103,200, calculated using the Black-Scholes pricing model.

During the year ended February 28, 2022, the Company granted 4,275,000 stock options, exercisable at a price of \$0.15 per option until October 19, 2023 resulting in share-based compensation of \$415,000, calculated using the Black-Scholes pricing model.

Stock option transactions are summarized as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance at February 28, 2021	2,700,000	\$0.06
Granted	4,275,000	0.15
Exercised	(1,050,000)	0.05
Expired	(1,650,000)	0.07
Balance at February 28, 2022	4,275,000	0.15
Granted	1,300,000	0.15
Balance at February 28, 2023	5,575,000	\$0.15

VERTICAL EXPLORATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023 AND 2022
(Expressed in Canadian dollars)

5. SHARE CAPITAL, STOCK OPTIONS AND WARRANTS (Continued)

STOCK OPTIONS (Continued)

As of February 28, 2023, the following stock options were outstanding:

Expiry date	Number of Options	Exercise price	Number of options exercisable
July 4, 2023	300,000	\$0.15	300,000
October 19, 2023	4,275,000	\$0.15	4,275,000
August 5, 2025	1,000,000	\$0.15	1,000,000
	<u>5,575,000</u>		<u>5,575,000</u>

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during:

	February 28, 2023	February 28, 2022
Risk-free interest rate	3.20%	0.74%
Expected life of options	2.54 years	2.00 years
Expected annualized volatility	162.10%	166.96%
Expected dividend rate	-	-

WARRANTS

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at February 28, 2021	18,424,579	\$0.05
Granted	31,271,701	0.15
Exercised	(3,243,350)	0.05
Expired	(94,650)	0.05
Balance at February 28, 2022	46,358,280	0.12
Expired	(15,086,579)	0.05
Balance at February 28, 2023	31,271,701	\$0.15

As at February 28, 2023, the following warrants were outstanding:

Expiry date	Number of warrants	Exercise price	Number of warrants exercisable
October 7, 2023**	17,651,700	\$0.15	17,651,700
December 23, 2023	13,000,001	\$0.16*	13,000,001
December 23, 2023	620,000	\$0.16*	620,000
Total Outstanding	31,271,701		31,271,701

*Exercise price increased to \$0.25 after December 23, 2022

**Extended to October 7, 2023.

VERTICAL EXPLORATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023 AND 2022
(Expressed in Canadian dollars)

6. RELATED PARTY TRANSACTIONS

The Company's related parties and key management consist of executive officers, directors, companies owned by executive officers, companies owned by directors, and companies owned by spouses of directors.

The Company incurred the following expenses in connection with key management, including companies owned by key management and directors.

Key Management	For the year ended	
	February 28,	2022
	2023	
Management fees		
Paid or accrued to an officer of the Company	\$ 120,000	\$ 120,000
Professional fees		
Paid or accrued to an officer of the Company	\$ 3,600	\$ 4,400
Share-based payments		
Paid or accrued to an officer of the Company	\$ -	\$ 97,075

Included in accounts payable and accrued liabilities at February 28, 2023 is \$208,000 (2022 - \$113,500) owed to officers of the Company.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities consist of:

	February 28,	February 28,
	2023	2022
Trade payable	\$ 404,214	\$ 152,128
Accrued liabilities	49,000	35,500
	\$ 453,214	\$ 187,628

VERTICAL EXPLORATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023 AND 2022
(Expressed in Canadian dollars)

8. RISK MANAGEMENT, FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

Fair value

Financial instruments that are measured at fair value using inputs, which are classified within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 - Inputs that are not based on observable market data.

Cash is measured using level 1 of the fair value hierarchy.

Given that they will mature shortly, the fair value of accounts payable and accrued liabilities approximate their carrying value.

Financial Risk

The primary goals of the Company's financial risk management are to ensure that the outcomes of activities involving elements of risk are consistent with the Company's objectives and risk tolerance, and to maintain an appropriate risk/reward balance while protecting the Company's net assets from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through aligning risk appetite with business strategy, diversifying risk, pricing appropriately for risk, mitigating risks through preventive controls and transferring risk to third parties.

The Company's exposure to potential loss from financial instruments is primarily due to credit risk, liquidity risk and various market risks, including interest rate.

Interest Rate Risk

Fluctuations in interest rates have only an impact on the return that the cash generates as interest income. Unfavorable changes in the applicable interest rate may result in a decrease of interest income.

The Company has limited exposure to financial risk arising from fluctuations in interest rates earned on short-term investments given their short-term nature. As a result fluctuations in market interest rates during the current year would not have any significant impact on the Company's financial results.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments. Liquidity needs are monitored in various time bands, including 30-day, 180-day and 360-day lookout periods. The Company's ability to meet its commitments for exploration programs, and meet all of its general and administrative costs on a continuous basis is dependent on the continued support of the financial markets. In particular, the Company may have to issue additional common shares. The Company is exposed to liquidity risk.

VERTICAL EXPLORATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023 AND 2022
(Expressed in Canadian dollars)

8. RISK MANAGEMENT, FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT
(Continued)

Other Price Risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company exposure to other price risk is minimal.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. All of the cash is held with one financial institution. Consequently, the Company is exposed to concentration of credit risks of that institution. However, the credit risk is limited, based on the high-quality external credit rating of that institution.

Capital Management

The Company considers the items included in shareholders' equity as capital. The Company's objective in managing capital is to ensure sufficient liquidity to pursue its exploration activities and may raise additional capital through the equity markets as additional capital is required. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. There was no change in the Company's capital management strategy during the year ended February 28, 2023.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	For the year ended February 28,	
	2023	2022
Fair value of options exercised	\$ -	\$ 22,477
Reallocation of subscriptions for warrants exercised	\$ -	\$ 7,500
Fair value of broker's warrant	\$ -	\$ 70,600
Fair value of finder's warrants exercised	\$ -	\$ 1,282
Shares issued for exploration and evaluation assets	\$ -	\$ 367,500
Shares issued for accounts payable	\$ -	\$ 137,970
Asset retirement obligation	\$ 157,398	\$ -
Accrued exploration and evaluation asset costs in accounts payable	\$ 156,945	\$ -

10. SEGMENTED INFORMATION

The Company operates in one reportable segment being the acquisition, exploration and evaluation of mineral properties in Canada.

VERTICAL EXPLORATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023 AND 2022
(Expressed in Canadian dollars)

11. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2023	2022
Loss for the year	\$ (563,415)	\$ (983,894)
Expected income tax (recovery)	\$ (152,000)	\$ (266,000)
Change in statutory, foreign tax, foreign exchange rates and other	1,000	-
Permanent differences	30,000	112,000
Share issue costs	-	(44,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	434,000	27,000
Change in unrecognized deductible temporary differences	(313,000)	171,000
Total income tax (recovery)	\$ -	\$ -

The significant components of the Company's deferred tax assets that have not been included on the statement of the financial position are as follows:

	2023	2022
Deferred tax liabilities		
Share issue costs	\$ 30,000	\$ 46,000
Asset retirement obligation	42,000	-
Exploration and evaluation assets	(945,000)	-
Building	(34,000)	-
Non-capital losses available for future period	2,177,000	1,537,000
	1,270,000	1,583,000
Unrecognized deferred tax assets	(1,270,000)	(1,583,000)
Total income tax (recovery)	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have on been included on the statement of financial position are as follows:

	2023	Expiry Date Range	2022	Expiry Date Range
Temporary Difference				
Share issue costs	113,000	2042 to 2047	169,000	2042 to 2046
Non-capital losses available for future period	8,064,000	2026 to 2043	7,149,000	2026 to 2042

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

VERTICAL EXPLORATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 2023 AND 2022
(Expressed in Canadian dollars)

12. SUBSEQUENT EVENT

Subsequent to the year ended February 28, 2023, the Company granted 4,050,000 stock options to directors, officers and consultants of the Company exercisable at \$0.075 per share until April 28, 2024.