

VORTEX METALS INC. (FORMERLY VICTORY CAPITAL CORP.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
(Unaudited)

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2022 AND 2021

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed interim financial statements of Vortex Metals Inc. (formerly Victory Capital Corp.) have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company and are the responsibility of the Company's management.

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

VORTEX METALS INC. (FORMERLY VICTORY CAPITAL CORP.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited)
AS AT

	June 30, 2022	December 31, 2021
ASSETS		
Current		
Cash	\$ 3,045,275	\$ 16,732
Deferred financing costs	-	63,240
Restricted cash	-	3,828,030
Receivables	4,306	153,045
Prepays	<u>4,703</u>	<u>-</u>
	3,054,284	4,061,047
Non-current		
Exploration and Evaluation Assets (Note 5)	<u>5,200,000</u>	<u>-</u>
	<u>\$ 8,254,284</u>	<u>\$ 4,061,047</u>
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 308,548	\$ 236,057
Promissory note (Note 6)	-	125,000
Loan (Note 6)	21,177	21,177
Subscriptions received in advance (Note 8)	<u>-</u>	<u>4,043,000</u>
	329,725	4,425,234
Shareholders' equity (deficiency)		
Share capital (Note 8)	10,842,432	685,946
Contributed surplus (Note 4 and 8)	245,109	-
Deficit	<u>(3,162,982)</u>	<u>(1,050,133)</u>
	<u>7,924,559</u>	<u>(364,187)</u>
	<u>\$ 8,254,284</u>	<u>\$ 4,061,047</u>

Nature and continuance of operations (Note 1)

Approved and authorized by the Board on August 26th, 2022.

<u>"Michael Williams"</u>	Director	<u>"Vikas Ranjan "</u>	Director
Michael Williams		Vikas Ranjan	

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

VORTEX METALS INC. (FORMERLY VICTORY CAPITAL CORP.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
(Unaudited)

	For the Three Months Ended June 30, 2022	For the Three Months Ended June 30, 2022	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
Expenses				
Advertising and promotion	\$ 123,334	\$ -	\$ 123,334	\$ -
Consulting (Note 7)	203,310	-	203,310	-
Exploration and evaluation expenditures (Note 5)	45,153	-	45,153	-
Foreign exchange	12,726	(32)	11,691	(649)
Office expense (Note 7)	3,973	672	7,608	1,343
Professional fees (Note 7)	44,203	8,806	53,119	28,454
Property investigation (Note 5)	-	3,696	11,390	5,205
Salaries (Note 7)	41,398	-	41,398	-
Transfer agent and filing fees	25,783	644	27,205	1,322
Travel	16,463	-	16,463	-
Total operating expense	(516,343)	(13,786)	(540,671)	(35,675)
Other income/(loss)				
Interest income	991	-	991	-
Listing fee (Note 4)	(1,573,169)	-	(1,573,169)	-
Loss and comprehensive loss for the period	\$ (2,088,521)	\$ (13,786)	\$ (2,112,849)	\$ (35,675)
Basic and diluted loss per common share	\$ (0.05)	\$ (0.00)	\$ (0.08)	\$ (0.00)
Weighted average number of common shares outstanding – basic and diluted	44,255,105	6,744,104	25,603,226	6,744,104

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

VORTEX METALS INC. (FORMERLY VICTORY CAPITAL CORP.)
CONDENSED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited)

	For the Six Months Ended June 30, 2022	For the Six Months Ended June 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (2,112,849)	\$ (35,675)
Items not affecting cash:		
Accrued interest	3,987	787
Listing fee	1,573,169	-
Non-cash working capital item changes:		
Receivables	127,219	(1,345)
Prepays	(4,703)	-
Accounts payable and accrued liabilities	<u>(72,831)</u>	<u>19,092</u>
Net cash used in operating activities	<u>(486,008)</u>	<u>(17,141)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of exploration and evaluation assets (Note 5)	<u>(200,000)</u>	<u>-</u>
Net cash used by investing activities	<u>(200,000)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issuance costs	(215,637)	-
Cash received from RTO (Note 4)	52,158	-
Promissory note	<u>50,000</u>	<u>10,000</u>
Net cash provided by financing activities	<u>(113,479)</u>	<u>10,000</u>
Change in cash for the period	(799,487)	(7,141)
Cash and restricted cash, beginning of period	<u>3,844,762</u>	<u>15,171</u>
Cash and restricted cash, end of period	<u>\$ 3,045,275</u>	<u>\$ 8,030</u>
Cash and restricted cash represented by:	\$ 3,045,275	\$ 8,030
Restricted cash	\$ -	\$ -
Cash and Restricted cash	<u>\$ 3,045,275</u>	<u>\$ 8,030</u>
Non-cash financing and investing activities		
RTO	Note 4	\$ -
Re-allocation of deferred financing costs, restricted cash and subscriptions received in advance to share capital	\$ 4,043,000	\$ -
Acquisition of exploration and evaluation assets	\$ 5,000,000	\$ -
Valuation of finders warrants	\$ 184,504	\$ -
Receivable netted against promissory note	\$ 21,520	\$ -

No cash was paid for interest or taxes for six months period ended June 30, 2022 and 2021.

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

VORTEX METALS INC. (FORMERLY VICTORY CAPITAL CORP.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian Dollars)
(Unaudited)

(Unaudited)

	Share Capital					
	Number	Amount	Contributed Surplus		Deficit	Total
Balance, December 31, 2020	6,744,104	\$ 685,946	\$ -	\$ (862,961)	\$ (177,015)	
Loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,675)</u>	<u>(35,675)</u>	
Balance, June 30, 2021	6,744,104	\$ 685,946	\$ -	\$ (898,636)	\$ (212,690)	
Loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(151,497)</u>	<u>(151,497)</u>	
Balance, December 31, 2021	6,744,104	\$ 685,946	\$ -	\$ (1,050,133)	\$ (364,187)	
Acquisition of Vortex (RTO)	5,088,750	1,017,750	60,605	-	1,078,355	
Shares issued in relation to the RTO	1,587,205	317,441	-	-	317,441	
Shares issued for cash	21,660,000	4,332,000	-	-	4,332,000	
Finders share purchase warrants	-	(184,504)	184,504	-	-	
Share issuance costs	-	(326,201)	-	-	(326,201)	
Shares for exploration and evaluation asset	25,000,000	5,000,000	-	-	5,000,000	
Loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,112,849)</u>	<u>(2,112,849)</u>	
Balance, June 30, 2022	60,080,059	\$ 10,842,432	\$ 245,109	\$ (3,162,982)	\$ 7,924,559	

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

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
(Unaudited)
FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021

1. NATURE AND CONTINUANCE OF OPERATIONS

Vortex Metals Inc., formerly, Victory Capital Corp. (the "Company" or "Vortex") was incorporated on November 6, 2009. The Company's common shares are publicly listed on the Toronto Stock Exchange's Venture Exchange (the "TSX-V") under the symbol "VMS" (formerly "VIC"). The head office, principal address and records office of the Company are located at 120 Adelaide Street West suite 2500, Toronto, Ontario, M5H 1T1, Canada.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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. The Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. While the Company has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available or be available on favorable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. These material uncertainties may cast significant doubt about the ability of the Company to continue as a going concern.

The condensed interim consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company's ability to receive financial support, necessary financings, or generate profitable operations in the future.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

Reverse Takeover

On April 27, 2022, the Company completed the reverse takeover transaction ("RTO") pursuant to which it acquired Acapulco Gold Holdings Ltd. (formerly Acapulco Gold Corp.) ("AGH"). AGH is principally engaged in the acquisition and exploration of resource properties. AGH is in the process of investing in potential new acquisitions and exploring and evaluating its resource properties and has not yet determined whether the properties contain ore reserves that are economically recoverable.

On closing of the RTO, AGH became a wholly-owned subsidiary of the Company. As AGH is deemed to be the accounting acquirer for accounting purposes, its assets and liabilities and operations since incorporation on February 11, 2011, are included in the interim condensed consolidated financial statements at their historical carrying value. The Company's results of operations are those of AGH, with Vortex operations being included from April 27, 2022, onwards, the closing date. Please refer to the acquisition of AGH (Note 4) for more details.

Concurrent with the RTO, the Company and AGH completed a private placement (the "Private Placement") of 21,660,000 common shares for gross proceeds of a \$4,332,000 (Note 8).

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2. BASIS OF PREPARATION

Statement of compliance

These condensed interim financial statements, including comparatives, 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 interim financial statements, including International Accounting Standards (“IAS”) 34 “Interim Financial Reporting”.

This condensed interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual audited financial statements of AGH for the year ended December 31, 2021. The accounting policies applied in preparation of these condensed interim financial statements are consistent with those applied and disclosed in AGH’s audited financial statements for the year ended December 31, 2021.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company, and its wholly-owned subsidiaries, Acapulco Gold Holdings Ltd. and Minera Acagold S.A. de C.V. incorporated in Mexico from the date of acquisition, April 27, 2022 (Note 4).

A subsidiary is an entity over which the Company has exposure to variable returns from its involvement and has the ability to use power over the investee to affect its returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. A subsidiary is fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. The accounts of the Company subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. Inter-company transactions, balances and unrealized gains or losses on transactions are eliminated.

Basis of Measurement

These consolidated financial statements are presented in Canadian dollars, which is also the Company’s and its subsidiary’s functional currency and have been prepared on a historical cost basis, except for certain financial instruments, which are carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

3. USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Significant Accounting Judgments and Estimates

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

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

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3. USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

Significant Accounting Judgments and Estimates

- The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount;
- The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets; and
- The fair value of stock options and warrants issued are subject to the limitations of the Black-Scholes option pricing model which incorporated market data and involved uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model required the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- The determination of functional currency of the Company and its subsidiary.
- Business combinations and reverse take-over - Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. The Company must determine whether it is the acquirer or acquiree in each acquisition. Under IFRS 3 –Business Combinations, the acquirer is the entity that obtains control of the acquiree in the acquisition. If it is not clear which company is the acquirer, additional information must be considered, such as the combined entity's relative voting rights, existence of a large minority voting interest, composition of the governing body and senior management, and the terms behind the exchange of equity interest.

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4. ACQUISITION OF ACAPULCO GOLD HOLDINGS LTD.

On April 27, 2022, the Company completed a RTO pursuant to the Merger Agreement in which the Company acquires AGH. For accounting purposes, AGH is deemed to be the accounting acquirer in such reverse takeover transaction. The net assets of Vortex are acquired at fair value at April 27, 2022.

The Transaction will be accounted for in accordance with guidance provided in IFRS 2, "Share-Based Payment" as Vortex did not qualify as a business according to the definition in IFRS 3. Accordingly, AGH will be the continuing entity and the total purchase price is allocated to the assets acquired and liabilities assumed based on their respective fair values with excess allocated to charge to listing fee. Additionally, the transaction was not considered to be a business acquisition as the primary item acquired was the public listing.

Replacement options of Vortex will be issued in the amount of 407,100 stock options and are valued at \$60,605. The fair value of the replacement options are estimated on the grant date using the Black-Scholes option model with the following weighted average variables: share price of \$0.20, risk-free interest rate of 2.62%, expected option life of 4.84 years, expected stock price volatility of 100% and expected dividend rate of 0%. Each replacement option gives the holder the right to purchase one common share at an exercise price of \$0.20 and for a period of 4.84 months following the release date.

The Company issued 1,587,205 common shares with a fair value of \$317,441 as a finder's fee in connection with the RTO transaction.

The allocation of estimated consideration transferred is summarize as follows:

Purchase Price	
Fair value of the common shares of the resulting issuer held by Vortex valued using the concurrent financing price.	
Common shares	\$ 1,017,750
Transaction costs (finders' shares)	317,441
Replacement options	60,605
Purchase price	1,395,796
Allocation of purchase price:	
Cash	\$ 52,196
Loan receivable	157,467
Accounts payable and accrued liabilities	(386,998)
Net assets acquired	\$ (177,373)
Listing fee	1,573,169

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5. EXPLORATION AND EVALUATION ASSETS

Mexico Properties

On March 16, 2022, AGH entered into an amended and restated agreement of purchase and sale with Zalamera in relation to the Riqueza Marina Project, Zaachila Project and the El Rescate Project each located in Mexico. Immediately proceeding the completion of the RTO (Note XX) the Company issued a total of 25,000,000 common shares (valued at \$5,000,000) paid \$200,000 and settled \$32,000 in expenses incurred in relation to the properties. Upon completion of the environmental impact assessment study and receipt of drill permits the Company will pay \$300,000 over 38 months and once the first set of core samples are obtained the Company will pay an additional \$150,000. The Company granted a 3% net smelter returns royalty ("NSR") over the properties.

Exploration and evaluation expenditures for the six months ended June 30, 2022 and 2021.

	Riqueza Marina Property	Zaachila Property	Total
Exploration and Evaluation Expenditures			
For the period ended June 30, 2022			
Assay	174	174	348
Field supplies and other	3,937	3,938	7,875
Geological	18,465	18,639	36,930
Total, June 30, 2022	22,576	22,577	45,153

	Riqueza Marina Property	Zaachila Property	Total
Property Investigation Costs			
For the period ended June 30, 2021			
Assay	3,856	3,308	3,674
Geological	999	1,897	1,531
Total, June 30, 2021	4,855	5,205	5,205
For the period ended June 30, 2022			
Assay	529	529	1,058
Geophysics	700	-	700
Geological	7,132	2,500	9,632
Total, June 30, 2022	8,361	3,029	11,390

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6. PROMISSORY NOTE AND LOAN

Promissory Note

On November 27, 2020, AGH issued a promissory note to Vortex and received \$15,000. The promissory note bears an interest of 6% per annum.

During the year ended December 31, 2021, AGH received additional funds relating to the promissory note in the amount of \$110,000 and accrued interest of \$3,382 (2020 - \$Nil) included in accounts payable and accrued liabilities.

During the three months ended March 31, 2022, AGH received an additional advance of \$50,000 from Vortex and netted \$21,520 in receivable against the promissory note. Accrued interest of \$2,225 (2021 - \$342) was recorded in accounts payable and accrued liabilities.

Upon completion of the RTO, the Promissory Note became an intercompany loan and has been eliminated on consolidation.

Loan

On September 8, 2021, the Company entered into a loan agreement with Valsequillo Silver S.A de C.V and received \$21,177 (MXN \$333,500). The loan bears an interest of 7% per annum, and the outstanding principal plus accrued interest shall be repaid on the extended maturity date of July 2022. Accrued interest of \$803 (2021 - \$Nil) has been recorded in accounts payable and accrued liabilities. Subsequent to June 30, 2022, the Company re-paid the loan and accrued interest.

7. RELATED PARTY TRANSACTIONS

Key management personnel includes those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Board and corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer.

The Company entered into the following transactions with related parties, not disclosed elsewhere in these consolidated financial statements:

	For the six months ended June 30,	
	2022	2021
	\$	\$
Professional fees	3,000	6,000
Consulting fees	56,700	
Salaries	41,398	
Rent*	1,575	-
	<u>102,673</u>	<u>6,000</u>

*Rent is recorded in office expense.

As at June 30, 2022, \$72,582 (December 31, 2021 - \$61, 675) was included in accounts payable and accrued liabilities owing to directors of the Company.

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8. SHAREHOLDERS' EQUITY

Authorized

An unlimited number of common shares without par value.

Issued share capital

During the six-month period ended June 30, 2022, the Company:

- a) On April 27, 2022, the Company completed a non-brokered private placement of 21,660,000 common shares at a price of \$0.20 per common share for gross proceeds of \$4,332,000. Of which \$4,043,000 was received and recorded as subscriptions received in advanced as at December 31, 2021. The Company paid \$326,201 in cash commissions (\$63,240 paid as at December 31, 2021 and recorded as deferred financing costs) and issued 1,732,800 finders' share purchase warrants valued at \$184,504 exercisable at \$0.20 until April 27, 2024. The fair value per warrant was \$0.11. The fair value of the warrant was estimated using the Black-Scholes option pricing model assuming a life expectancy of 2 years, a risk-free rate of 2.5%, a forfeiture rate of 0%, and volatility of 100%.
- b) On April 27, 2022, the Company issued 25,000,000 common shares at a price of \$0.20 for a value of \$5,000,000 in relation to the acquisition the Riqueza Marina Project, Zaachila Project and the El Rescate Project each located in Mexico (Note 5).
- c) On April 27, 2022, the Company issued 5,088,750 common shares of the Company at \$0.20 per share valued at \$1,017,750 as part of the RTO (Note 4). In addition, the Company issued 1,587,205 common shares of the Company at \$0.20 per share valued at \$317,441 recorded as transaction costs associated to the RTO.

During the year ended December 31, 2021, the Company:

- a) Cancelled 650,000 common shares from escrow pursuant to a property agreement (Note 4). These shares were previously treated as treasury shares and were previously excluded from total shares outstanding.
- b) Closed a non-brokered private placement of subscription receipts for aggregate gross proceeds of \$4,043,000 through the issuance of 20,215,000 subscription receipts at a price of \$0.20. Upon the closing of the RTO, the Company's subscription receipts will be automatically exchanged for one common share of the Company (a "Company Common Share"), and subsequently each Company Common Share will be automatically exchanged for one common share in the capital of the Company referred to as the "Resulting Issuer" (a "Resulting Issuer Share"). In the event that the RTO does not close, the Company will be obligated to return the subscription receipt.

Escrow Shares

As at June 30, 2022, the Company had 4,993,194 common shares in escrow and 23,541,886 common shares subject to seed share resale restrictions.

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8. SHAREHOLDERS' EQUITY (continued)

Share purchase warrants

As at June 30, 2022, the following share purchase warrants were outstanding:

	Number of share purchase warrants	Weighted average exercise price
Balance, December 31, 2021	-	-
Granted	1,732,800	\$ 0.20
Balance, June 30, 2022	1,732,800	\$ 0.20

The share purchase warrants expire on April 27, 2024.

Stock options

Stock Option Plan

The Company has a stock option plan under which it can grant options to directors, officers, employees, and consultants for up to 10% of the issued and outstanding common shares. The exercise price of each option is based on the market price of the Company's stock at the date of grant. The options can be granted for a term of ten years and vest as determined by the board of directors.

Stock option transactions are summarized as follows:

	Number of Stock options	Weighted average exercise price
Balance, December 31, 2021	-	\$ -
Granted	407,100	0.20
Balance, June 30, 2022	407,100	\$ 0.20
Vested and exercisable, June 30, 2022	407,100	\$ 0.20

As at June 30, 2022, the following share purchase warrants were outstanding:

Number of Options	Weighted Average Exercise Price	Expiry Date
305,325	\$ 0.20	April 27, 2023
101,775	\$ 0.20	April 27, 2023
407,100		

9. SEGMENT INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration, and evaluation of resource properties in Mexico (Note 5).

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10. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying value of receivables, accounts payable and accrued liabilities, loan, promissory note and subscriptions received in advance approximates fair value due to the short-term nature of the financial instruments. Cash and restricted cash are valued at a level 1 fair value measurement.

Risk management

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash is held at a large financial institution in interest bearing accounts. The Company has no investment in asset backed commercial paper.

The Company's receivables consist of goods and services tax receivable from the government of Canada and subscription receivable.

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 manages liquidity risk through its capital management as outlined below. Accounts payable and accrued liabilities are due within one year. The Company is exposed to liquidity risk.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

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10. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

a) Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on cash. The Company's practice has been to invest cash at floating rates of interest, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any demand deposit included in cash as they are generally held with large financial institutions. The Company is not exposed to significant interest rate risk.

b) Foreign currency risk

The majority of purchases are transacted in the Canadian dollar. Management believes the foreign exchange risk derived from currency conversions is not significant and therefore does not hedge its foreign exchange risk.

c) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue acquisition, exploration and evaluation of mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of shareholders' deficiency.

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, issue debt, acquire or dispose of assets or adjust the amount of cash.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

11. SUBSEQUENT EVENT

Subsequent to June 30, 2022, the following event occurred:

a) The Company granted incentive stock options to purchase up to an aggregate of 4,500,000 options exercisable at a price of \$0.20 per share with an expiry of 10 years from grant.