

Consolidated Financial Statements of

McFARLANE LAKE MINING LIMITED

For the years ended August 31, 2023 and 2022

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of McFarlane Lake Mining Limited

Opinion

We have audited the consolidated financial statements of McFarlane Lake Mining Limited and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at August 31, 2023 and 2022, and its consolidated financial performance and its consolidated 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 consolidated 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 consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended August 31, 2023 and, as of that date, the Company's current liabilities exceeded its current assets. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

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

Except for the matter described in Material uncertainty related to going concern section, we have determined that there were no additional key audit matters to communicate in our report.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the 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 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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 consolidated financial statements of the current period 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 of the audit resulting in this independent auditor's report is Glen McFarland.

McGovern Hurley LLP

A handwritten signature in black ink that reads "McGovern Hurley LLP". The signature is written in a cursive, flowing style.

**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
November 29, 2023

MCFARLANE LAKE MINING LIMITED
Consolidated Statements of Financial Position
As at August 31, 2023 and 2022

As at August 31,	Note	2023	2022
		\$	\$
ASSETS			
Current assets			
Cash		249,411	1,595,037
Restricted investment		25,000	25,000
Prepaid expenses		37,908	19,131
Other receivable		82,291	297,201
Total assets		394,610	1,936,369
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)			
Current liabilities			
Accounts payable and accrued liabilities	11, 13	1,059,267	913,335
Notes payable	7	195,000	195,000
Flow-through share premium liability	8	60,470	566,460
Total liabilities		1,314,737	1,674,795
Shareholders' equity (deficit)			
Share capital	9(a)	10,225,366	8,481,873
Warrants	9(d)	1,887,777	1,234,175
Contributed surplus	9(b)(c)	2,037,849	932,849
Deficit		(15,071,119)	(10,387,323)
Total shareholders' equity (deficit)		(920,127)	261,574
Total liabilities and shareholders' equity (deficit)		394,610	1,936,369
Nature of operations			
	1		
Going concern			
	2		
Commitments and contingencies			
	6, 14		
Subsequent events			
	16		

See accompanying notes to consolidated financial statements.

On behalf of the Board:

(Signed) Mark Trevisiol Director (Signed) Charles Lilly Director

McFARLANE LAKE MINING LIMITED

Consolidated Statements of Loss and Comprehensive Loss
For the years ended August 31, 2023 and 2022

For the years ended August 31,	Note	2023	2022
		\$	\$
Operating expenses			
Professional fees	11	369,595	310,408
Advertising and promotion		-	17,450
Consulting fees	11	508,695	487,250
Director fees	11	40,002	-
Office and general		203,561	75,361
Interest and bank charges	7	24,499	25,113
Exploration and evaluation expenditures	6, 11	2,379,248	7,890,747
Investor relations and business development		597,940	272,700
Regulatory and transfer agent fees		103,488	186,945
RTO transaction cost	5	-	1,699,655
Share-based compensation	9(b)(c), 11	1,105,000	400,881
Total operating expenses		5,332,028	11,366,510
Loss before non-operating items		(5,332,028)	(11,366,510)
Other income			
Forgiveness of debt		-	61,393
Flow-through share premium recovery	8	648,232	398,227
Total other items		648,232	459,620
Net loss and comprehensive loss for the period		(4,683,796)	(10,906,890)
Basic and diluted net loss and comprehensive loss per common share	10	(0.045)	(0.145)
Weighted average number of common shares outstanding - Basic and diluted		105,189,745	75,426,217

See accompanying notes to consolidated financial statements.

MCFARLANE LAKE MINING LIMITED

Consolidated Statements of Changes in Shareholders' Equity For the years ended August 31, 2023 and 2022

	Note	Common Share Capital		Warrants	Contributed surplus	Accumulated Deficit	Total Shareholders' Equity (Deficit)
		#	\$	\$	\$	\$	\$
Balance, August 31, 2021		59,075,000	2,136,510	-	531,968	(1,230,433)	1,438,045
Shares and warrants issued in private placements	9(a)(i)	7,955,000	2,187,625	994,375	-	-	3,182,000
Flow through shares issued in private placements	9(a)(i)	7,717,500	3,087,000	-	-	-	3,087,000
Share issuance costs	9(a)(i)	391,813	(1,060,038)	231,613	-	-	(828,425)
Premium on flow-through shares	9(a)(i)	-	(964,687)	-	-	-	(964,687)
Shares and warrants issued in private placements	9(a)(iii)	65,500	18,013	8,187	-	-	26,200
Shares issued for services (finder's fee)	9(a)(iv)	443,000	121,825	-	-	-	121,825
Shares issued to parent company shareholders	9(a)(v)	3,750,000	1,031,250	-	-	-	1,031,250
Shares issued for exploration and evaluation expenditures	9(a)(vi)	1,250,000	387,500	-	-	-	387,500
Shares issued for exploration and evaluation expenditures	9(a)(vii)	1,375,000	130,625	-	-	-	130,625
Shares issued for exploration and evaluation expenditures	6, 9(a)(viii)	5,625,000	1,406,250	-	-	1,750,000	3,156,250
Share based compensation		-	-	-	400,881	-	400,881
Net loss		-	-	-	-	(10,906,890)	(10,906,890)
Balance, August 31, 2022		87,647,813	8,481,873	1,234,175	932,849	(10,387,323)	261,574
Shares and warrants issued in private placements	9(a)(ix)	12,924,000	904,680	387,720	-	-	1,292,400
Shares and warrants issued in private placements	9(a)(x)	2,200,032	231,004	99,001	-	-	330,005
Shares and warrants issued in private placements	9(a)(xi)	7,285,000	509,950	218,550	-	-	728,500
Flow through shares issued in private placements	9(a)(xi)	3,100,000	372,000	-	-	-	372,000
Premium on flow-through shares	9(a)(xi)	-	(142,242)	-	-	-	(142,242)
Share issuance costs	9(a)(ix)(x)(xi)	-	(133,789)	(52,479)	-	-	(186,268)
Shares and warrants issued for services (finder's fee)	9(a)(ix)	27,000	1,890	810	-	-	2,700
Share based compensation	9(b)	-	-	-	370,000	-	370,000
RSUs issued	9(c)	-	-	-	735,000	-	735,000
Net loss		-	-	-	-	(4,683,796)	(4,683,796)
Balance, August 31, 2023		113,183,845	10,225,366	1,887,777	2,037,849	(15,071,119)	(920,127)

See accompanying notes to consolidated financial statements.

McFARLANE LAKE MINING LIMITED
Consolidated Statements of Cash Flows
For the years ended August 31, 2023 and 2022

For the years ended	Note	2023	2022
		\$	\$
Operating activities			
Net loss		(4,683,796)	(10,906,890)
Items not affecting cash:			
Common shares issued for exploration and evaluation expenditures	6, 9(a)	-	3,674,375
Share-based compensation	9(b), 9(c)	1,105,000	400,881
Forgiveness of debt		-	(61,393)
Flow-through share premium recovery	8	(648,232)	(398,227)
Non-cash listing expenses	5	-	1,185,485
Change in non-cash working capital items:			
Prepaid expenses		(18,777)	(19,131)
Other receivable		214,910	(263,109)
Accounts payable and accrued liabilities		145,932	695,325
Net cash used in operating activities		(3,884,963)	(5,692,684)
Investing activities			
Cash obtained from reverse takeover transaction	5	-	9,969
Purchase GIC		-	(40,000)
Redemption GIC		-	15,000
Net cash used in investing activities		-	(15,031)
Financing activities			
Proceeds of private placement - units	9(a)	2,350,905	3,208,200
Proceeds of private placement - flow-through shares	9(a)	372,000	3,087,000
Payment of share issuance costs related to private placement	9(a)	(183,568)	(804,020)
Advance from related parties	11	-	4,338
Repayment to related parties	11	-	(13,220)
Net cash provided by financing activities		2,539,337	5,482,298
Decrease in cash		(1,345,626)	(225,417)
Balance, beginning of year		1,595,037	1,820,454
Balance, end of year		249,411	1,595,037
Supplemental cash flow information			
Non-cash share issue costs		2,700	587,048

See accompanying notes to consolidated financial statements.

McFARLANE LAKE MINING LIMITED

Notes to Consolidated Financial Statements

For the years ended August 31, 2023 and 2022

(Expressed in Canadian Dollars)

1. Nature of Operations

McFarlane Lake Mining Limited (the "Company"), formerly 1287401 B.C. Ltd ("1287401"), was incorporated under the Business Corporations Act (British Columbia) on February 03, 2021 and was continued into the Province of Ontario on January 26, 2022. The Company is engaged in the acquisition and exploration of mineral resource properties in Canada.

On January 14, 2022, 1287401 completed a reverse takeover transaction (the "RTO" or "Transaction") with McFarlane Lake Mining Incorporated ("McFarlane"), a privately held mineral exploration company incorporated under the laws of Province of Ontario on August 21, 2020, by way of "three-cornered" amalgamation (Note 5). The issuer resulting from the Transaction (the "Resulting Issuer") carries on the business of McFarlane under the name "McFarlane Lake Mining Limited".

The Transaction constituted a reverse acquisition in accordance with International Reporting Standards ("IFRS") as the shareholders of McFarlane took control of 1287401. As McFarlane was deemed to be the acquirer for accounting purposes, the resulting consolidated statements of financial position were presented as a continuance of McFarlane's operations at their historical carrying values, and the comparative figures presented are those of McFarlane. The results of operations, the cash flows, and the assets and liabilities of 1287401 have been included in these consolidated financial statements since January 14, 2022.

The Company's shares are listed on the Cboe Canada Exchange (formerly the NEO Exchange) under the symbol "MLM". The Company's shares are also listed on the US OTC Exchange under the symbol "MLMLF". The Company's corporate office is at 15 Kincora Court, Sudbury, Ontario P3E 2B9, Canada.

2. Going Concern

These consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they become due. The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that the planned exploration programs will ultimately result in profitable mining operations.

Although the Company has taken steps to verify title to the properties on which it will conduct exploration and in which it has an interest in accordance with industry standards to the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing, requirements, or regulations, unregistered prior agreements, unregistered claims, first nations' claims and non-compliance with regulatory requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contacts and political uncertainties.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern. Accordingly, they do not give effect to the adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its obligations and commitments in other than the normal course of business. The Company has incurred losses of \$4,683,796 (2022 - \$10,906,890) for the year ended August 31, 2023 and as of August 31, 2023 has a deficit of \$15,071,119 (2022 - \$10,387,323) and a working capital deficit of \$920,127 (2022 - working capital surplus of \$261,574).

The business of mining and exploration for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the achievement of profitable operations, or the ability of the Company to raise additional financing as necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

McFARLANE LAKE MINING LIMITED

Notes to Consolidated Financial Statements

For the years ended August 31, 2023 and 2022

(Expressed in Canadian Dollars)

2. Going Concern (continued)

The Company has raised capital for working capital and the planned exploration and development of its mineral properties. The Company's continuation as a going concern is dependent upon successful results from its planned exploration and evaluation activities, its ability to attain profitable operations to generate funds and its ability to raise equity capital or borrowings sufficient to meet its current and future obligations for the next 12 months. Although the Company has been successful in raising funds to date there is no assurance that it will be able to do so in the future. These matters represent material uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

3. Basis of Preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The policies applied in these consolidated financial statements are based on the IFRS issued and outstanding as of November 29, 2023, being the date the Board of Directors approved these consolidated financial statements.

(b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets which are carried at fair value. In addition, these consolidated financials have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Principles of consolidation:

These consolidated financial statements incorporate the financial statements of the Company and the entity it controls.

Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, are exposed to, or have rights to, variable returns from the Company's involvement with the entity and have the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. Profit or loss of subsidiaries acquired during the year are recognized from the date of acquisition or effective date of disposal as applicable. All intercompany transactions and balances have been eliminated.

As of August 31, 2023, the Company has one wholly owned subsidiary: McFarlane Lake Mining Incorporated.

(d) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars ("CAD"), which is also the functional currency of the Company and its subsidiary.

McFARLANE LAKE MINING LIMITED

Notes to Consolidated Financial Statements

For the years ended August 31, 2023 and 2022

(Expressed in Canadian Dollars)

4. Summary of Significant Accounting Policies

Significant accounting judgments, estimates and assumptions

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 consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Information about critical judgements in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in these consolidated financial statements are discussed below:

a) Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company titles. Such properties may be subject to prior agreement or transfers and titles may be affected by undetected defects.

b) Valuation of share-based payments

The Company values share-based payments granted using market-based generally accepted valuation techniques at the date of grant. Assumptions made for the valuation include volatility of the share price, risk free interest rate and the life of the stock options granted. Such assumptions are highly subjective and changes in these assumptions materially affect the calculated fair value. Assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 9. The expected volatility assumptions for option grants are based on comparable companies.

c) Valuation of deferred income tax assets

Each year, the Company evaluates the likelihood of whether some portion of deferred tax assets, if any, will be realized. This evaluation is based on historic and future expected levels of taxable income, the timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, tax planning initiative, and deferred tax rates.

d) Going concern

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its exploration projects and working capital requirements.

e) Existence of decommissioning and restoration costs and timing of expenditure

Decommissioning, restoration, and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements and constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration, or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations with regulatory authorities.

McFARLANE LAKE MINING LIMITED

Notes to Consolidated Financial Statements

For the years ended August 31, 2023 and 2022

(Expressed in Canadian Dollars)

4. Summary of Significant Accounting Policies (continued)

f) Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Judgment is used in determining provisions for taxes as there are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations, which may not coincide with the interpretation of the tax authorities. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. All tax related filings are subject to government audit and potential reassessment subsequent to the consolidated financial statement reporting period. In case the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

g) Provisions and contingencies

Provisions and contingencies arising in the course of operations, including provisions for income or other tax matters are subject to estimation uncertainty. Management uses all information available in assessing the recognition, measurement and disclosure of matters that may give rise to provisions or contingencies. The actual outcome of various provisional and contingent matters may vary and may cause significant adjustments to the Company's assets when the amounts are determined or additional information is required.

h) Flow-through shares

The Company may, from time to time, issue flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On the date of issuance of the flow-through shares, the premium relating to the proceeds received in excess of the fair value of the Company's common shares is allocated to premium on flow-through shares liability. The reduction to the premium liability in the period of renunciation is recognized through operations.

Use of estimates

The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows. Significant estimates include the valuation of options using the Black-Scholes pricing model.

McFARLANE LAKE MINING LIMITED

Notes to Consolidated Financial Statements

For the years ended August 31, 2023 and 2022

(Expressed in Canadian Dollars)

4. Summary of Significant Accounting Policies (continued)

Financial instruments

Recognition

The Company recognizes a financial asset or financial liability on the consolidated statement of financial position when it becomes party to the contractual provisions of the financial instrument.

Financial assets are initially measured at fair value and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled, or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

Classification and measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- ◆ those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and
- ◆ those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made is an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

- ◆ amortized cost;
- ◆ FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
- ◆ FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

MC FARLANE LAKE MINING LIMITED

Notes to Consolidated Financial Statements

For the years ended August 31, 2023 and 2022

(Expressed in Canadian Dollars)

4. Summary of Significant Accounting Policies (continued)

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

After initial recognition, financial assets and liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the Effective Interest Rate ("EIR"). EIR amortization is included in finance income in the consolidated statements of income (loss) and comprehensive income (loss). The Company's financial instruments consist of the following:

Financial Instrument	Classification
Cash	Amortized cost
Restricted investment	Amortized cost
Other receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Notes payable	Amortized cost

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership of the asset. Where substantially all the risks and rewards of ownership of the financial asset are neither retained nor transferred, the Company derecognizes the transferred asset only if it no longer controls the asset. Control is represented by the practical ability to sell the transferred asset without the need to impose additional restrictions. If the Company retains control over the asset, it will continue to recognize the asset to the extent of its continuing involvement. When a financial asset is derecognized in full, a gain or loss is recognized in net income for an amount equal to the difference between the carrying amount of the asset and the value of the consideration received, including any new assets and/or liabilities recognized.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expires with any associated gain or loss recognized in other income or expense in the consolidated statement of loss.

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied is the simplified approach which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, amounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

MC FARLANE LAKE MINING LIMITED

Notes to Consolidated Financial Statements

For the years ended August 31, 2023 and 2022

(Expressed in Canadian Dollars)

4. Summary of Significant Accounting Policies (continued)

Financial instruments recorded at fair value

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- ◆ 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. prices) or indirectly (i.e. derived from prices); and
- ◆ Level 3 – inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The classification of a financial instrument in the fair value hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

Exploration and Evaluation Expenditures

Exploration and evaluation expenditures are charged to profit or loss in the period incurred until such time as it has been determined that a mineral property has economically recoverable resources, in which case subsequent costs incurred to develop a mineral property are capitalized. Exploration and evaluation expenditures include acquisition costs of mineral exploration properties, property option payments and exploration and evaluation activity. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at the time of payment.

Provisions and contingencies

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

The Company's estimates of restoration 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 exploration and evaluation assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, and effects of inflation.

Decommissioning liabilities

A legal or constructive obligation to incur decommissioning liabilities may arise when environmental disturbance is caused by the exploration, development or mining of a mineral property interest. Such costs arising from the decommissioning of plant and other site work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method

McFARLANE LAKE MINING LIMITED

Notes to Consolidated Financial Statements

For the years ended August 31, 2023 and 2022

(Expressed in Canadian Dollars)

4. Summary of Significant Accounting Policies (continued)

as appropriate. The related liability is adjusted for each period for the unwinding of the discount and for changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. The Company had no material decommissioning liabilities as at August 31, 2023 and 2022.

Income taxes

Current income tax

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the statements of loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity.

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred income tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits, and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and the carry forward of unused tax credits and unused tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at end of reporting year. Deferred tax relating to items recognized directly in equity is also recognized in equity and not in the statements of loss.

The carrying amount of deferred tax assets is reviewed at the end of the reporting year and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Related party transactions

Parties are considered to be related if one party has the ability to directly or indirectly control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

MCFARLANE LAKE MINING LIMITED

Notes to Consolidated Financial Statements

For the years ended August 31, 2023 and 2022

(Expressed in Canadian Dollars)

4. Summary of Significant Accounting Policies (continued)

Earnings (loss) per common share

Basic earnings (loss) per share are computed by dividing the net earnings (loss) applicable by the weighted average number of common shares outstanding during the reporting year. Diluted earnings (loss) per share is computed by dividing the net earnings (loss) by the sum of the weighted average number of common shares issued and outstanding during the reporting year and all additional common shares for the assumed exercise of options outstanding for the reporting year, if dilutive.

The diluted earnings (loss) per share is determined by adjusting the earnings (loss) attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all options outstanding that may add to the total number of common shares. Diluted loss per share does not include the effect of stock options as they are antidilutive.

Equity-based payments

Where equity-settled share options are awarded to employees and consultants, the fair value of the options at the date of grant is charged to the statements of loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period based on the Company's estimate of options that will eventually vest. The number of forfeitures likely to occur is estimated on the grant date.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statements of loss and comprehensive loss. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the transaction is measured at the fair value of the equity instrument granted.

All equity-settled share-based payments are reflected in option payment reserve, until exercised. Upon exercise, the shares are issued from treasury and the amount reflected in option reserve is credited to share capital for any consideration paid. If options expire, the grant date value is reclassified to deficit.

Cash

Cash comprises cash at banks and on hand and cash held in trust as at August 31, 2023 and 2022.

Restricted investment

The restricted investment consists of a guaranteed investment certificate with a maturity term of one year and is collateral for company credit cards.

MC FARLANE LAKE MINING LIMITED

Notes to Consolidated Financial Statements

For the years ended August 31, 2023 and 2022

(Expressed in Canadian Dollars)

4. Summary of Significant Accounting Policies (continued)

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the current exchange rate. Non-monetary assets and liabilities are translated at historical rates of exchange at the time of the acquisition of assets or obligations incurred. Revenues and expenses are translated at the rate of exchange in effect at the date of the transactions. Foreign exchange translation gains and losses are recorded in operations in the period in which they occur.

New standards adopted in the year

During the year ended August 31, 2023, the Company adopted the following amendment. This change did not have any material impact on the Company's financial statements.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets ("IAS 37") was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract.

New standards not yet adopted and interpretations issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after September 1, 2023. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. In February 2021, the IASB issued 'Disclosure of Accounting Policies' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for annual periods beginning on January 1, 2023. Earlier adoption is permitted. The Company will adopt these amendments as of their effective date, and is currently assessing the impacts on adoption.

IAS 1 – In February 2021, the IASB issued 'Disclosure of Accounting Policies' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for year ends beginning on or after January 1, 2023. The Company will adopt these amendments as of their effective date, and is currently assessing the impacts on adoption.

IAS 8 – In February 2021, the IASB issued 'Definition of Accounting Estimates' to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for year ends beginning on or after January 1, 2023. The Company will adopt these amendments as of their effective date, and is currently assessing the impacts on adoption.

McFARLANE LAKE MINING LIMITED

Notes to Consolidated Financial Statements

For the years ended August 31, 2023 and 2022

(Expressed in Canadian Dollars)

4. Summary of Significant Accounting Policies (continued)

IAS 12 – In May 2021, the IASB issued 'Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction' that clarifies how entities account for deferred tax on transactions such as leases and decommissioning obligations. The amendments are effective for year ends beginning on or after January 1, 2023. The Company will adopt these amendments as of their effective date, and is currently assessing the impacts on adoption.

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted. The Company will adopt these amendments as of their effective date, and is currently assessing the impacts on adoption.

5. Reverse Takeover Transaction (the "Transaction")

On January 14, 2022, 1287401 completed the Transaction with McFarlane by way of a three-cornered amalgamation pursuant to the provisions of the Business Corporations Act (Ontario), whereby 1000034047 Ontario Inc. ("Subco"), a wholly owned subsidiary of 1287401 incorporated under the laws of the Province of Ontario for the purpose of completing the Transaction, amalgamated with McFarlane.

Prior to the completion of the Transaction, 1287401 completed a share split of its issued and outstanding shares on the basis of 1.20967742 post-split share for each 1 pre-split share and changed the name its name from "1287401 B.C. Ltd" to "McFarlane Lake Mining Limited".

Pursuant to the Transaction, the outstanding common shares and warrants of McFarlane and Subco were exchanged for common shares and warrants, respectively, of 1287401 on the basis of one 1287401 security for every one McFarlane and Subco security (the "Exchange Ratio").

In connection with the Transaction, McFarlane completed a brokered and non-brokered private placement offering of securities (together, the "Offering") consisting of an aggregate of 7,955,000 units of McFarlane (the "Units") at a price of \$0.40 per unit (the "Issue Price") for gross proceeds of \$3,182,000 and an aggregate of 7,717,500 flow-through common shares of McFarlane (the "FT Shares") at the Issue Price for gross proceeds of \$3,087,000. Concurrently with the Offering, Subco completed a non-brokered offering of 65,500 units (the "Subco Units") for gross proceeds of approximately \$26,200 (the "Subco Offering") (see note 9).

Immediately following the closing of the Transaction, there were 79,397,813 common shares of the Company outstanding, of which 75,647,813 were held by the former shareholders of McFarlane (after amalgamating with Subco) (representing approximately 95.28% of the outstanding shares of the Company) and 3,750,000 were issued in the reverse-takeover to the shareholders of 1287401 (see note 9). As the former shareholders of McFarlane retained control of the resulting issuer, the Transaction was accounted for as a reverse acquisition where McFarlane is deemed to be the acquirer for accounting purposes. These consolidated financial statements represent the continuance of McFarlane and reflect the identifiable assets acquired and liabilities assumed of 1287401 at fair value. The results of operations of 1287401 have been included in these consolidated statements of loss from January 14, 2022, the closing date of the Transaction.

MCFARLANE LAKE MINING LIMITED

Notes to Consolidated Financial Statements
For the years ended August 31, 2023 and 2022
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5. Reverse Takeover Transaction (the "Transaction") (continued)

As 1287401 did not meet the definition of a business as defined in IFRS 3 – Business Combinations, the acquisition was not within the scope of IFRS 3 and is accounted for as a share-based payment transaction in accordance with IFRS 2, Share-based Payments. Accordingly, the fair value of the purchase consideration was accounted for at the fair value of the equity instruments granted by the shareholders of McFarlane to the shareholders of 1287401.

The fair value of the shares was determined based on the most reliable and observable fair value measure being the price per share as determined by the concurrent financing share price.

The consideration for the Transaction has been calculated as \$1,031,250 and is based on the fair value of the number of shares that the Company issued to the shareholders of 1287401 to give the shareholders of 1287401 the same percentage equity interest in the combined entity that resulted from the Transaction. The following table summarizes the allocation of the purchase price consideration to the fair value of the net assets acquired at January 14, 2022, the closing date of the Transaction.

Purchase consideration

Fair value of 3,750,000 shares issued in resulting issuer at \$0.275 per share (note 9)	\$ 1,031,250
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Identifiable assets acquired (liabilities assumed)

Cash	9,969
Amounts receivable	3,491
Accounts payable and accrued liabilities	(31,123)
Due to related parties	(39,152)
Net assets acquired (liabilities assumed)	(56,815)
Excess of purchase price paid over assets acquired (liabilities assumed)	1,088,065

Listing costs:

Excess applied to transaction cost (non-cash loss)	1,088,065
Compensation shares issued	97,420
Professional fees	514,170
Total listing costs	\$ 1,699,655

The \$1,088,065 excess of the fair value of the shares issued over the value of the net assets acquired (liabilities assumed) was expensed as RTO transaction cost in the consolidated statements of loss and comprehensive loss.

6. Exploration and Evaluation Properties

West Hawk Lake, High Lake and McMillan Properties

On February 23, 2021, the Company (the "Optionee") executed an option agreement with Canadian Star Minerals Ltd. (the "Optioner") whereby the Company could acquire up to 100% interest in certain properties. The agreement was subsequently amended on September 7, 2021. The terms of the option agreement are as follows:

McFARLANE LAKE MINING LIMITED

Notes to Consolidated Financial Statements

For the years ended August 31, 2023 and 2022

(Expressed in Canadian Dollars)

6. Exploration and Evaluation Properties (continued)

- The Optioner granted the Optionee an exclusive option to purchase the properties for an option term expiring at the end of the day on April 30, 2022. As consideration for granting of the option to purchase, the Company is obligated to pay \$250,000 as consideration for the first 6 months of the option and \$50,000 per month to the Optioner beginning the seventh month from the date of the option agreement until the option is exercised and the transaction is completed.
- The purchase price to be paid by the Optionee if the option is exercised is \$5,500,000 which shall be satisfied as follows:
 - \$2,750,000 of cash consideration;
 - \$2,750,000 in common shares of the Company reduced by the cumulative amount paid for the option to a maximum of \$550,000;
 - 7,000,000 outstanding common shares of the Company held by certain officers and directors of the Company shall be transferred to the Optioner upon closing of the transaction.

Upon exercise of the option, the property is subject to a 2% net smelter return royalty ("NSR") for the McMillan mine claims and a 2% NSR with the right to purchase 1% for a purchase price of \$1,250,000 for the High Lake claims. The Company is also required to pay \$10,000 every June 15 until such time as commercial production has commenced on the mining claims or the optionee offers to return the mining claims.

On December 30, 2021, the Company executed a purchase agreement with the Optionor to acquire 100% interest in certain mining claims. The purchase price paid by the Company upon exercise of the option was satisfied as follows:

- \$2,750,000 of cash consideration;
- 5,625,000 of common shares issued by the Company with a deemed value of \$2,250,000 which represents \$2,750,000 less the cumulative amount paid by the Company in option payments of \$550,000; and
- transferred to the Optioner 7,000,000 issued and outstanding shares in the capital of the Company held by certain officers and directors of the Company upon closing of the transaction. The shares were valued at \$1,700,000 based on the quoted market price of \$0.085 per share. The contributed amount was recorded as exploration and evaluation expenditures in the consolidated statement of loss.

Upon execution of the purchase agreement, the Company acquired beneficial interest in the High Lake, West Hawk Lake and McMillan properties from the Optionor. The legal transfer of the title for any leases required Provincial approval. As a result, legal title was transferred for the High Lake and McMillan properties as of February 11, 2022 and February 7, 2022 respectively.

Mongowin Property

On May 21, 2021, the Company signed a binding letter of intent with Transition Metals Corp. ("Mongowin Optionor") to acquire a 100% interest in certain mining leases ("the Property"), in Northeastern Ontario in the township of Mongowin. The letter of intent grants the Company a period of exclusivity for 5 months (subject to a 3-month extension) to enter into a definitive agreement to purchase the Property subject to the following terms and conditions:

MCFARLANE LAKE MINING LIMITED

Notes to Consolidated Financial Statements

For the years ended August 31, 2023 and 2022

(Expressed in Canadian Dollars)

6. Exploration and Evaluation Properties (continued)

- The Company becomes a publicly traded entity on a Canadian Exchange;
- The Company paid a non-refundable cash payment of \$15,000 to the Mongowin Optionor for the period of exclusivity upon signing;
- The Company can extend the period of exclusivity for an additional 3 months by making non-refundable cash payments to the Mongowin Optionor of \$15,000 per month;
- The Company provides the Mongowin Optionor with an \$85,000 cash payment upon signing;
- The Company issues \$500,000 worth of shares of the publicly traded entity;
- Upon earning a 100% interest in the Property, the Company shall grant the Mongowin Optionor a 1.5% NSR;
- A portion of the property is subject to an additional existing 1% NSR of which 0.5% may be purchased for \$600,000;
- Commencing the 5th year following the execution of a definitive agreement, the Company will pay the Mongowin Optionor advanced royalty payments of \$25,000 per year (in cash or stock) to be deducted from future royalty payments following commercial production to a maximum total of \$250,000. Any exploration expenditures spent on the Property will offset the payments on a dollar for dollar basis. If the Company does not pay the advanced royalty payments or spend the required exploration expenditure, the Mongowin Optionor may choose to purchase the property for \$1;
- The Vendor is entitled to a one-time milestone payment of \$2,500,000 at any time commercial production is achieved.

On October 22, 2021 the Company paid an additional \$15,000 to extend the period of exclusivity as per the agreement.

On February 1, 2022, the Company executed a purchase agreement with the Mongowin Optionor to acquire 100% interest in certain mining claims and patented claims located in Northeastern Ontario in Mongowin Township. The definitive agreement to purchase the Property was subject to the following terms and conditions:

- a) \$15,000 cash payment for a 5-month period exclusivity to transact;
- b) \$45,000 to affect a 3-month extension of the period of exclusivity;
- c) \$585,000, of which \$85,000 was paid in cash and \$500,000 was settled by the issuance of common shares of the Company;
- d) The Company granted the Mongowin Optionor a 1.5% Net Smelter Return Royalty;
- e) A portion of the property is subject to an additional existing NSR of which 0.5% may be purchased for \$600,000;
- f) Beginning on the fifth anniversary of the Purchase Agreement, the Company will pay the Mongowin Optionor advanced royalty payments of \$25,000 per year (in cash or common shares) to a maximum total of \$250,000 (in cash or shares). Any exploration expenditures incurred on the Mongowin Property will offset this payment on a dollar for dollar basis. If the Company does not pay the advanced royalty payments or spend the required exploration expenditure, the Mongowin Optionor may choose to purchase the property for \$1;
- g) The Mongowin Optionor is entitled to a one-time milestone payment of \$2,500,000 upon the commercial exploitation of mineral products on the Mongowin Property. As this payment is contingent on future commercial production, which cannot be determined, no provision has been recorded in these consolidated financial statements.

Certain Mongowin claims were transferred to the Company on February 4, 2022 and patented claims were transferred on May 30, 2022.

McFARLANE LAKE MINING LIMITED

Notes to Consolidated Financial Statements

For the years ended August 31, 2023 and 2022

(Expressed in Canadian Dollars)

6. Exploration and Evaluation Properties (continued)

Michaud/Munro Properties

The Company signed a binding letter of intent dated June 28, 2021, with 1929941 Ontario Limited (the "Michaud/Munro Optionor") to acquire a 100% interest in certain mining leases, (the "Property") in Northeastern Ontario located in the townships of Michaud and Munro located in the Larder Lake Mining. The letter of intent grants the Company a period of exclusivity until October 1, 2021 (subject to a 3-month extension) to enter into a definitive agreement to purchase the Property subject to the following terms and conditions:

- The Company becomes a publicly traded entity on a Canadian Exchange;
- The Company paid a non-refundable cash payment of \$20,000 to the Michaud/Munro Optionor for the period of exclusivity upon signing;
- The Company can extend the period of exclusivity for an additional 3 months by making a non-refundable cash payment of \$15,000 on or before October 1, 2021;
- The Company provides the Michaud/Munro Optionor with an \$30,000 cash payment upon signing;
- The Company issues \$550,000 worth of shares of the publicly traded entity;
- 1.5% Net Smelter Return Royalty ("NSR") of which 1% can be purchased for \$1.5 million.

On October 22, 2021 the Michaud/Munro Optionor agreed to extend the period of exclusivity and the Company paid an additional \$15,000 on this date.

The Company finalized a purchase agreement on March 10, 2022 with the Michaud/Munro Optionor in respect of the acquisition by the Company of a 100% interest in 17 mining leases located in Northeastern Ontario in the townships of Michaud and Munro in the Larder Lake Mining District near the town of Matheson, Ontario. The definitive agreement to purchase the Michaud/Munro Properties is subject to the following terms and conditions:

- a) The Company paid a non-refundable cash payment of \$35,000 to the Michaud/Munro Optionor for a period of exclusivity prior to the signing of the purchase agreement;
- b) The Company provided the Michaud/Munro Optionor with a \$30,000 cash payment upon the transfer of the mining leases;
- c) The Company issued \$550,000 worth of shares upon the transfer of the mining leases ;
- d) 1.5% Net Smelter Return Royalty of which 1% can be purchased for \$1.5 million.

The CEO of the Company has an equity interest in the Michaud/Munro Optionor company.

7. Notes payable

During fiscal 2021, McFarlane was advanced funds totalling \$195,000 from companies controlled by certain directors of the Company. These promissory notes payable are unsecured, bear interest at 12% per annum and are due on demand. During the period August 31, 2023, the Company incurred interest expense of \$23,400 (2022 - \$23,400). Included in accounts payable and accrued liabilities as of August 31, 2023 is accrued interest owed on these notes payable in the amount of \$57,291 (August 31, 2022 - \$33,891).

MC FARLANE LAKE MINING LIMITED

Notes to Consolidated Financial Statements

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8. Flow-through Share Premium Liability

The flow-through share premium liability balance as at August 31, 2023 is \$60,470 (2022 - \$566,460).

During fiscal 2023, a flow-through liability of \$142,242 was initially recorded in connection with the April 14, 2023, private placement offering of 3,100,000 FT Shares for gross proceeds of \$372,000 (see note 9).

During fiscal 2022, a flow-through liability of \$964,687 was initially recorded in connection with the December 9, 2021, private placement offering of 7,717,500 FT Shares for gross proceeds of \$3,087,000 (see note 9).

As per Company policy, the amount recorded as other income in the consolidated statement of loss during the year ended August 31, 2023 and 2022 was \$648,232 and \$398,227, respectively.

9. Share capital**(a) Share capital**

Authorized:

- i. The Company is authorized to issue an unlimited number of common shares with no par value.

	Note	# Shares*	Amount
Balance, August 31, 2021		59,075,000	2,136,510
Shares and warrants issued in private placements	9(a)(ii)	7,955,000	2,187,625
Share issuance costs	9(a)(ii)	391,813	(1,060,038)
Flow through shares issued in private placements	9(a)(ii)	7,717,500	3,087,000
Premium on flow-through shares	9(a)(ii)	-	(964,687)
Shares and warrants issued in private placements	9(a)(iii)	65,500	18,013
Shares issued for services (finder's fee)	9(a)(iv)	443,000	121,825
Shares issued to parent company shareholders	9(a)(v)	3,750,000	1,031,250
Shares issued for exploration and evaluation expenditures	9(a)(vi)(vii)(viii)	8,250,000	1,924,375
Balance, August 31, 2022		87,647,813	\$ 8,481,873
Shares and warrants issued in private placements	9(a)(ix)	12,924,000	904,680
Shares and warrants issued in private placements	9(a)(x)	2,200,032	231,004
Shares and warrants issued in private placements	9(a)(xi)	7,285,000	509,950
Flow through shares issued in private placements	9(a)(xi)	3,100,000	372,000
Premium on flow-through shares	9(a)(xi)	-	(142,242)
Shares issued for services (finder's fee)	9(a)(ix)	27,000	1,890
Share issuance costs	9(a)(ix)(x)(xi)	-	(133,789)
Balance, August 31, 2023		113,183,845	\$ 10,225,366

* All figures reflect the Exchange Ratio

MCFARLANE LAKE MINING LIMITED

Notes to Consolidated Financial Statements

For the years ended August 31, 2023 and 2022

(Expressed in Canadian Dollars)

9. Share Capital (continued)

Issued:

- ii. In connection with the Transaction, on December 9, 2021, McFarlane closed a brokered and non-brokered private placement offering of securities (together, the "Offering") consisting of an aggregate of 7,955,000 units of McFarlane (the "Units") at a price of \$0.40 per unit (the "Issue Price") for gross proceeds of \$3,182,000 and an aggregate of 7,717,500 flow-through common shares of McFarlane (the "FT Shares") at the Issue Price for gross proceeds of \$3,087,000.

Each Unit consisted of one common share (a "Common Share") of McFarlane and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant shall be exercisable to acquire a common share at a price of \$0.60 per common share for a period of 36 months from the closing of the Offering.

The allocation of the Units between share capital and warrants was done based on the relative fair value of each of the components after applying the Exchange Ratio. The fair value of the warrants was determined using the Black-Scholes Model using the following assumptions:

Share price	\$0.275	Risk free interest rate	1.07%
Expected life	3.0 years	Volatility	208.11%
Dividend yield	0.00%		

The relative fair value of the shares was determined to be \$2,187,625 and the relative fair value of the warrant was determined to be \$994,375.

The gross proceeds from FT Share portion of the Offering were allocated to common shares and FT Share premium using the residual method, with proceeds being allocated to the common shares first based on the market value of the shares at the time of the issuance. The fair value of the shares was determined to be \$2,122,313 and \$964,687 was allocated as the value of the Flow-through share premium.

Canaccord Genuity Corp. (the "Agent") acted as lead agent in connection with the brokered portion of the Offering (the "Brokered Offering") and provided advisory services to McFarlane in connection with the non-brokered offering.

As part of the private placement, McFarlane incurred share issuance costs of \$1,391,068 made up of the following:

- a) Upon closing of the Offering, the Agent received a commission in the amount of \$333,830 and an aggregate of 834,575 broker warrants (the "Broker Warrants"). Each Broker Warrant entitles the holder thereof to acquire one Unit at exercise price equal to the Issue Price for a period of 36 months following the closing date of the Offering (being December 9, 2021). Each Unit consisted of one common share (a "Common Share") of McFarlane and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant shall be exercisable to acquire a Common Share at a price of \$0.60 per Common Share for a period of 36 months from the closing of the Offering. The fair value of the Broker Warrants of \$308,793 was determined using the Black-Scholes Model using the following assumptions:

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9. Share Capital (continued)

Unit price	\$0.40	Risk free interest rate	1.07%
Expected life	3.0 years	Volatility	208.11%
Dividend yield	0.00%		

- b) Upon closing of the Offering, the Agent received an advisory fee in the amount of \$105,000 and an aggregate of 262,500 advisory warrants (the "Advisory Warrants"). Each Advisory Warrant entitles the holder thereof to acquire one Unit at exercise price equal to the Issue Price for a period of 36 months following the closing date of the Offering (being December 9, 2021). Each Unit consisted of one common share (a "Common Share") of McFarlane and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant shall be exercisable to acquire a Common Share at a price of \$0.60 per Common Share for a period of 36 months from the closing of the Offering.

The fair value of the warrants of \$97,125 was determined using the Black-Scholes Model based on the following assumptions:

Unit price	\$0.40	Risk free interest rate	1.07%
Expected life	3.0 years	Volatility	208.11%
Dividend yield	0.00%		

- c) Upon Closing of the Offering, McFarlane issued 391,813 Units to the Agent in satisfaction of a corporate finance advisory fee. Each Unit consisted of one common share (a "Common Share") of McFarlane and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant shall be exercisable to acquire a Common Share at a price of \$0.60 per Common Share for a period of 36 months from the closing of the Offering. The fair value of the corporate finance advisory fee was determined to be \$107,748 based on the fair value of \$0.275 per unit. The fair value of the warrants was determined to be \$48,977 using the Black-Scholes Model based on the following assumptions:

Share price	\$0.275	Risk free interest rate	1.07%
Expected life	3.0 years	Volatility	208.11%
Dividend yield	0.00%		

- d) In connection of the Offering, McFarlane incurred \$365,190 in legal and accounting expenses.

- iii. Concurrently with the Offering, Subco completed a non-brokered offering of 65,500 units (the "Subco Units") for gross proceeds of approximately \$26,200 (the "Subco Offering"). Each Subco Unit consisted of one common share of Subco (the "Subco Shares") and one-half of one common share purchase warrant of Subco (each whole warrant, a "Subco Warrant"). Each Subco Warrant is exercisable into one Subco share at a price of \$0.60 for a period of 36 months from the closing date of the Subco Offering (being December 9, 2021). Upon completion of the Transaction, holders of Subco Shares were issued Resulting Issuer Shares in exchange for their Subco Shares, and warrants of the Resulting Issuer in exchange for their Subco Warrants with each such warrant exercisable for Resulting Issuer Shares on substantially the same terms as the Subco Warrants.

The allocation of the Subco Units between share capital and warrants was done based on the relative fair value of each of the components after applying the Exchange Ratio. The fair value of the warrants was determined using the Black-Scholes Model based on the following assumptions:

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9. Share Capital (continued)

Share price	\$0.275	Risk free interest rate	1.07%
Expected life	3.0 years	Volatility	208.11%
Dividend yield	0.00%		

The relative fair value of the shares was determined to be \$18,013 and the relative fair value of the warrant was determined to be \$8,188.

- iv. Pursuant to an advisory agreement dated May 18, 2021 between the McFarlane and WD Capital Markets Inc. ("WDC"), McFarlane issued 443,000 Common Shares to WDC in satisfaction of a finder's fee for arranging a suitable shell and certain advisory services. The fair value of the finder's fee was determined to be \$121,825 based on the fair value of \$0.275 per share.
- v. On January 14, 2022, 3,750,000 shares were deemed to be issued to the original owners of the Company. The fair value of the shares was determined based on the most reliable and observable fair value measure being the market price per share from the recent Offering.
- vi. On February 4, 2022, 1,250,000 shares were issued pursuant to the purchase agreement in respect of the acquisition of 100% interest in the Mongowin property. The shares were valued at \$387,500 based on the quoted market price of \$0.31 per share. See also Note 6 (exploration and evaluation properties).
- vii. On May 17, 2022, 1,375,000 shares were issued pursuant to the purchase agreement in respect of the acquisition of the Michaud/Munro properties. The shares were valued at \$130,625 based on the quoted market price of \$0.095 per share. See also Note 6 (exploration and evaluation properties).
- viii. On July 6, 2022, 5,625,000 shares were issued pursuant to the purchase agreement in respect of the acquisition of the West Hawk Lake, High Lake and McMillan properties. The shares were valued at \$1,406,250 based on the quoted market price of \$0.25 per share. See also Note 6 (exploration and evaluation properties).
- ix. On September 16, 2022, the Company closed a non-brokered private placement offering of units of the Company for aggregate gross proceeds of \$1,292,400. Under the private placement, the Company issued 12,924,000 units at a price of \$0.10 per Unit.

Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each warrant is exercisable by the holder to acquire one common share at a price of \$0.20 per common share until September 16, 2025.

The allocation of the Units between share capital and warrants was done based on the relative fair value of each of the components. The fair value of the warrants was determined using the Black-Scholes Model using the following assumptions:

Share price	\$0.07	Risk free interest rate	3.71%
Expected life	3.0 years	Volatility	210.47%
Dividend yield	0.00%		

The relative fair value of the shares was determined to be \$904,680 and the relative fair value of the warrant was determined to be \$387,720.

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9. Share Capital (continued)

As part of the private placement, the Company incurred share issuance costs of \$88,241 made up of the following:

- a) In connection with the offering, the Company paid finders' fees of \$9,600 in cash and issued 27,000 Units to certain finders. The fair value of the units issued was determined to be \$2,700 based on the fair value of \$0.10 per unit. The fair value of the warrants was determined to be \$810 using the Black-Scholes Model based on the following assumptions:

Share price	\$0.07	Risk free interest rate	3.71%
Expected life	3.0 years	Volatility	210.47%
Dividend yield	0.00%		

- b) In connection with the offering, the Company incurred \$75,941 in legal and accounting expenses.

Certain directors and officers of the Company subscribed to a total of 3,000,000 units for gross proceeds of \$300,000 in the private placement.

- x. On February 17, 2023, the Company closed a non-brokered private placement offering of units of the Company for aggregate gross proceeds of \$330,005. Under the private placement, the Company issued 2,200,032 units at a price of \$0.15 per unit.

Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each warrant is exercisable by the holder to acquire one common share of the Company at a price of \$0.25 per common share until February 17, 2026.

The allocation of the Units between share capital and warrants was done based on the relative fair value of each of the components. The fair value of the warrants was determined using the Black-Scholes Model using the following assumptions:

Share price	\$0.105	Risk free interest rate	3.87%
Expected life	3.0 years	Volatility	202.54%
Dividend yield	0.00%		

The relative fair value of the shares was determined to be \$231,004 and the relative fair value of the warrant was determined to be \$99,001.

In connection with the private placement, the Company incurred \$64,495 in legal and accounting expenses.

- xi. On April 13, 2023, the Company closed a non-brokered private placement offering for aggregate gross proceeds of \$1,100,500. In connection with the offering, the Company issued 7,285,000 units at a price of \$0.10 per unit and 3,100,000 flow-through shares at a price of \$0.12 per FT share.

Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each warrant is exercisable by the holder to acquire one common share of the Company at a price of \$0.20 per common share until April 13, 2026.

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9. Share Capital (continued)

The allocation of the Units between share capital and warrants was done based on the relative fair value of each of the components. The fair value of the warrants was determined using the Black-Scholes Model using the following assumptions:

Share price	\$0.07	Risk free interest rate	3.59%
Expected life	3.0 years	Volatility	229.01%
Dividend yield	0.00%		

The relative fair value of the shares was determined to be \$509,950 and the relative fair value of the warrant was determined to be \$218,500.

In connection with the offering, the Company paid finders' fees of \$19,410 in cash and incurred \$14,122 in legal and accounting expenses.

The gross proceeds from FT Share portion of the offering were allocated to common shares and FT Share premium using the residual method, with proceeds being allocated to the common shares first based on the market value of the shares at the time of the issuance. The fair value of the shares was determined to be \$229,758 and \$142,242 was allocated as the value of the Flow-through share premium.

Certain directors and officers of the Company subscribed to a total of 2,100,000 units for gross proceeds of approximately \$210,000 in the private placement.

(b) Stock options

The Company has a stock option plan (the "Plan") for its directors, officers, consultants, and key employees under which the Company may grant options to acquire a maximum number of 15% of the total issued and outstanding common shares of the company. These options are non-transferable and are valid for a maximum of 5 years from the issue date. Vesting terms and conditions are determined by the Board of Directors at the time of the grant. The exercise price of the options is fixed by the Board of Directors at the time of the grant at a minimum of the market price of the common shares, subject to regulatory requirements.

Expected volatility has been determined using the share price of comparable companies for the period equivalent to the life of the options prior to grant date.

	Number of options	Weighted average exercise price
Options outstanding at August 31, 2021	5,500,000	\$ 0.10
Granted	1,500,000	0.40
Options outstanding at August 31, 2022	7,000,000	\$ 0.16
Granted	2,325,000	0.12
Granted	325,000	0.16
Granted	325,000	0.12
Options outstanding at August 31, 2023	9,975,000	\$ 0.15

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9. Share Capital (continued)

On January 25, 2022, after the closing of the RTO Transaction, the Board approved the grant of a total of 1,500,000 stock options to directors, executive officers, management and consultants, exercisable at \$0.40 per share and expiring on January 25, 2027. The options have a five-year term and vested immediately. The stock options fair value of \$400,881 was determined using a Black-Scholes model based on the following assumptions: expected life of 5 years, expected volatility of 201%, expected dividend yield of 0% and a risk-free interest rate of 1.64%.

On October 14, 2022, the Company granted of a total of 2,325,000 stock options to directors, executive officers, management and consultants, exercisable at \$0.12 per share and expiring on October 14, 2027. All of these options were issued to related parties. The options have a five-year term and vested immediately. The stock options fair value of \$279,000 was determined using a Black-Scholes model based on the following assumptions: expected life of 5 years, expected volatility of 195.23%, expected dividend yield of 0% and a risk-free interest rate of 3.64%.

On January 13, 2023, the Company granted of a total of 325,000 stock options to a new director, exercisable at \$0.16 per share and expiring on January 13, 2028. All of these options were issued to a related party. The options have a five-year term and vested immediately. The stock options fair value of \$52,000 was determined using a Black-Scholes model based on the following assumptions: expected life of 5 years, expected volatility of 193.77%, expected dividend yield of 0% and a risk-free interest rate of 3.00%.

On May 8, 2023, the Company granted of a total of 325,000 stock options to a director, exercisable at \$0.12 per share and expiring on May 8, 2028. All of these options were issued to a related party. The options have a five-year term and vested immediately. The stock options fair value of \$39,000 was determined using a Black-Scholes model based on the following assumptions: expected life of 5 years, expected volatility of 216.80%, expected dividend yield of 0% and a risk-free interest rate of 3.08%.

At August 31, 2023, the following options were outstanding and available to be exercised:

Grant Date	Expiration	Number of Stock Options	Exercise Price	Remaining Life (in years)
May 31, 2021	May 31, 2026	5,500,000	\$ 0.10	2.75
January 25, 2022	January 25, 2027	1,500,000	0.40	3.41
October 14, 2022	October 14, 2027	2,325,000	0.12	4.12
January 13, 2023	January 13, 2028	325,000	0.16	4.37
May 8, 2023	May 8, 2028	325,000	0.12	4.69
		9,975,000	\$ 0.15	3.29

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9. Share Capital (continued)**(c) Restricted share units**

The Company adopted a restricted share unit plan (the "RSU Plan") on December 7, 2021, under which the Company may grant restricted share units ("RSUs") to directors, officers and key employees of the Company.

	Number of RSUs	Grant date fair value
RSUs outstanding at August 31, 2021 & 2022	-	\$ -
Granted	7,000,000	0.105
RSUs outstanding at August 31, 2023	7,000,000	\$ 0.105

On March 27, 2023, the Company granted of an aggregate of 7,000,000 RSUs to two directors of the Company which vest immediately. Each vested RSU entitles the holder to receive one Common Share.

The fair value of the RSUs were determined to be \$735,000 based on the market value of the shares on the date of the grant.

As at August 31, 2023 the following RSUs were outstanding and exercisable:

Grant Date	Number of RSUs	Grant date fair value
March 27, 2023	7,000,000	\$ 0.105

(d) Warrants

As at August 31, 2023, the following warrants were outstanding and exercisable:

Grant Date	Expiry Date	Number of warrants Outstanding	Exercise Price	Remaining Life (in years)
December 9, 2021	December 9, 2024	4,206,156	\$ 0.60	1.28
December 9, 2021	December 9, 2024	1,097,075	0.40	1.28
September 16, 2022	September 16, 2025	6,475,500	0.20	2.05
February 17, 2023	February 17, 2026	1,100,016	0.25	2.47
April 13, 2023	April 13, 2026	3,642,500	0.20	2.62
		16,521,247	\$ 0.32	1.95

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10. Loss per Share

For the year ended August 31, 2023, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of \$4,683,796 (2022 – \$10,906,890) and the weighted average number of common shares outstanding of 105,189,745 (2022 – 75,426,217).

11. Related Party Transactions and Balances

The following expenses were incurred with key management personnel of the Company. Key management personnel are persons responsible for planning, directing, and controlling the activities of the Company including any directors and officers of the Company.

The remuneration of directors and key management of the Company for the years ended August 31, 2023 and 2022 was as follows:

	2023	2022
	\$	\$
Consulting fees	574,000	487,250
Director fees	40,002	-
Exploration and evaluation expenditures	-	45,813
Share based payments	1,105,000	400,891

Included in accounts payable and accrued liabilities as at August 31, 2023 is \$55,425 owing to officers and management of the Company (August 31, 2022 - \$55,874). The amounts are unsecured, non-interest bearing and due on demand.

Also included in accounts payable and accrued liabilities as at August 31, 2023 is accrued interest owing on the notes payable due to directors of the Company in the amount of \$57,291 (August 31, 2022 - \$33,891).

Also included in accounts payable and accrued liabilities as at August 31, 2023 is director fees owing to directors of the Company in the amount of \$21,000 (August 31, 2022 - \$nil).

During the year ended August 31, 2023, the Company incurred professional fees to a law firm and its associated companies for legal, accounting and capital advisory services totalling \$439,527 (2022 - \$849,536). One of the directors of the Company is a partner in this law firm. Included in accounts payable and accrued liabilities as at August 31, 2023 is \$454,431 owing to this law firm and its associated companies (August 31, 2022 - \$571,125). The amounts are unsecured, non-interest bearing and due on demand.

The CEO of the Company has an equity interest in the Michaud/Munro Optionor company 1929941 Ontario Limited ("1929941"). On March 10, 2022, the Company completed a transaction with 1929941 for the acquisition of the Michaud/Munro exploration properties as noted in Note 6.

See also Notes 6, 7, and 9.

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12. Capital Management

The Company defines capital as consisting of common share capital, options reserve and deficit.

The Company's objective in managing capital is to maintain adequate levels of funding to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral property interests and to maintain a flexible capital structure which will optimize the costs of capital at an acceptable risk.

The Company endeavours to manage its capital structure in a manner that provides sufficient funding for operational activities through funds primarily secured through equity capital obtained in private placements. There can be no assurances that the Company will be able to continue raising capital in this manner. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this form of financing due to the current difficult conditions. The Company makes adjustments to its management of capital in the light of changes in economic conditions and the risk characteristics of its assets, seeking to limit shareholder dilution and optimize its costs of capital while maintaining an acceptable level of risk.

The Company is not subject to any externally imposed capital requirements.

13. Financial Risks and Concentration of Risk

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or an equity instrument of another entity.

The carrying value of the Company's financial instruments approximates fair value due to the short-term or demand nature of these financial instruments.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company mitigates its exposure by monitoring the counterparty's ability to repay.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. The Company prepares annual capital expenditure budgets, which are monitored and updated as required. In addition, the Company requires authorization from the Board of Directors for expenditures on projects to assist with the management of capital.

The following are the contractual maturities of financial liabilities as at August 31, 2023:

At August 31, 2023	Carrying amount	within 1 year	1-3 years	4+ years
Accounts payable and accrued liabilities	\$ 1,059,267	\$ 1,059,267	\$ -	\$ -
Notes payable	195,000	195,000	-	-
	\$ 1,254,267	\$ 1,254,267	\$ -	\$ -

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13. Financial Risks and Concentration of Risk (continued)

The following are the contractual maturities of financial liabilities as at August 31, 2022:

At August 31, 2022	Carrying amount	within 1 year	1-3 years	4+ years
Accounts payable and accrued liabilities	\$ 913,335	\$ 913,335	\$ -	\$ -
Notes payable	195,000	195,000	-	-
	\$ 1,108,335	\$ 1,108,335	\$ -	\$ -

Interest rate risk

The Company does not currently have any outstanding variable interest-bearing loans and, therefore, the Company is not exposed to interest rate risk through fluctuation in the prime interest rate.

14. Commitments and Contingencies**Consulting Agreements**

The Company entered into consulting agreements on January 4, 2022 with its key management personnel (the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer) at combined consulting fees of \$27,000 per month. These contracts require payment of approximately \$1 million upon the occurrence of a change of control of the Company, as defined by each officer's respective consulting agreement. The Company is also committed to payments upon termination of approximately \$420,000 pursuant to the terms of these contracts. As a triggering event has not taken place, these amounts have not been recorded in these consolidated financial statements.

Environmental Contingencies

The Company's exploration activities are subject to various federal, state, provincial, and international 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. See also Note 6 (exploration and evaluation properties).

Flow-through Financings

The Company has entered into flow-through private placements ("FT Placements") to fund exploration activities. Canadian tax rules require the Company to spend flow-through funds on "Canadian exploration expenses" (as defined in the Income Tax Act (Canada)) by the end of the calendar year following the year in which they were raised. The Company indemnified the subscribers of flow-through shares from any tax consequences should the Company, notwithstanding its plans, fail to meet its commitments under the flow-through subscription agreements.

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14. Commitments and Contingencies (continued)

In April 13, 2023, the Company completed a FT Placement for \$372,000, thus committing to spend this amount by December 31, 2024 on “Canadian exploration expenses” which qualify as “flow-through mining expenditures”, as these terms are defined in the Income Tax Act (Canada) (“Resource Expenditures”). Upon the issuance of the FT Shares, the Company recorded an aggregate flow-through share premium liability of \$142,242. During the year ended August 31, 2023, the Company incurred \$213,855 of resource expenditures and recorded a flow-through share premium recovery of \$81,772 in the consolidated statement of loss. The Company intends to incur the remaining \$158,145 of resource expenditures by December 31, 2024 to complete its commitment.

The Company's exploration and evaluation activities are subject to laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its activities are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

15. Income Taxes**a) Provision for Income Taxes**

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% to the effective tax rate is as follows:

	2023	2022
	\$	\$
(Loss) before income taxes	(4,683,796)	(10,906,890)
Expected income tax recovery based on statutory rate	(1,241,000)	(2,890,000)
Adjustment to expected income tax recovery:		
Share based compensation	293,000	106,000
Flow-through renunciation	365,000	232,000
Expenses not deductible for tax purposes	6,000	289,000
Other	205,000	(6,000)
Change in unrecorded deferred tax asset	372,000	2,269,000
Deferred income tax provision (recovery)	-	-

b) Deferred Income Tax

Deferred taxes are a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities.

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15. Income Taxes (continued)

	2023 \$	2022 \$
Unrecognized deferred tax assets		
Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:		
Non-capital loss carry-forwards	3,585,000	1,856,000
Share issue costs	952,000	1,646,000
Mineral property costs	7,758,000	7,267,000
Total	12,295,000	10,769,000

The tax losses expire in 2041 to 2043. The other temporary differences do not expire under current legislation.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

16. Subsequent Events

On November 1, 2023, the Company closed the first tranche (the "First Tranche") of a private placement offering of units of the Company ("Units") and flow-through shares ("FT Shares") of the Company (the "Offering").

The First Tranche consisted of 43,500,000 Units at a price of \$0.05 per Unit and 24,943,681 FT Shares at a price of \$0.06 per FT Share for combined aggregate gross proceeds to the Company of \$3,671,620.

On November 27, 2023 the Company closed the second (and final) tranche (the "Second Tranche") which consisted of 8,600,000 Units at a price of \$0.05 per Unit and 8,391,325 FT Shares at a price of \$0.06 per FT Share for combined aggregate gross proceeds to the Company of \$933,479.

The total gross proceeds to the Company from the First and Second Tranches of the Offering were \$4,605,099.

Each Unit consists of one common share of the Company (each, a "Common Share") and one common share purchase warrant (each, a "Warrant"). Each Warrant is exercisable by the holder to acquire one Common Share of the Company at a price of \$0.07 per common share until May 1, 2025 (tranche 1) and May 27, 2025 (tranche 2).

In connection with the Offering, the Company has estimated that the legal expenses and other issue costs will approximate \$110,000.

Certain directors and officers of the Company subscribed for a total of 3,700,000 Units and 1,200,000 FT Shares for gross proceeds of \$257,000 in the Offering.