
WHITEWATER ACQUISITION CORP.

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
MAY 31, 2023 AND 2022

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Whitewater Acquisition Corp.

Opinion

We have audited the accompanying financial statements of Whitewater Acquisition Corp. (the "Company"), which comprise the statements of financial position as at May 31, 2023 and 2022, and the statements of income (loss) and comprehensive income (loss), changes in shareholders' equity, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit Matters

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

We have determined that there are no key audit matters to communicate in our auditor's report.

Other Information

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

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

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



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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Vancouver, Canada

Chartered Professional Accountants

August 10, 2023

WHITEWATER ACQUISITION CORP.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	May 31, 2023 \$	May 31, 2022 \$
ASSETS			
Current assets			
Cash		398,882	412,950
GST receivable		7,357	6,121
Prepays		<u>3,374</u>	<u>3,033</u>
TOTAL ASSETS		<u>409,613</u>	<u>422,104</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	5	<u>1,641</u>	<u>21,113</u>
TOTAL LIABILITIES		<u>1,641</u>	<u>21,113</u>
SHAREHOLDERS' EQUITY			
Share capital	4	428,495	428,495
Share-based payments reserve	4	60,000	60,000
Deficit		<u>(80,523)</u>	<u>(87,504)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>407,972</u>	<u>400,991</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>409,613</u>	<u>422,104</u>

Nature of Operations - See Note 1

These financial statements were approved for issue by the Board of Directors on August 10, 2023 and are signed on its behalf by:

/s/ **David Henstridge**
David Henstridge
Director

/s/ **Michael Varabioff**
Michael Varabioff
Director

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

WHITEWATER ACQUISITION CORP.
STATEMENTS OF NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian Dollars)

	Note	Year Ended	
		May 31, 2023 \$	May 31, 2022 \$
Expenses			
Accounting and administration	5(b)	8,221	9,400
Audit		9,500	8,200
Corporate finance fee	4(b)(ii)	-	10,000
Legal	5(b)(ii)	3,210	3,626
Office		1,251	2,230
Regulatory fees		7,222	2,167
Share-based compensation	4(d)	-	45,000
Shareholder costs		-	350
Transfer agent		158	2,115
		<u>29,562</u>	<u>83,088</u>
Loss before other items		<u>(29,562)</u>	<u>(83,088)</u>
Other items			
Interest income		16,281	3,367
Gain on settlement of accounts payable and accrued liabilities	5(b)(ii)	20,262	-
		<u>36,543</u>	<u>3,367</u>
Net income (loss) and comprehensive income (loss) for the year		<u>6,981</u>	<u>(79,721)</u>
Basic and diluted income (loss) per common share		<u>\$0.00</u>	<u>\$(0.01)</u>
Basic and diluted weighted average number of common shares outstanding		<u>8,100,000</u>	<u>7,132,877</u>

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

WHITEWATER ACQUISITION CORP.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

Year Ended May 31, 2023					
	Share Capital		Share-based Payment Reserve \$	Deficit \$	Total Shareholders' Equity \$
	Number of Common Shares	Amount \$			
Balance at May 31, 2022	8,100,000	428,495	60,000	(87,504)	400,991
Net income for the year	-	-	-	6,981	6,981
Balance at May 31, 2023	<u>8,100,000</u>	<u>428,495</u>	<u>60,000</u>	<u>(80,523)</u>	<u>407,972</u>

Year Ended May 31, 2022					
	Share Capital		Share-based Payment Reserve \$	Deficit \$	Total Shareholders' Equity \$
	Number of Common Shares	Amount \$			
Balance at May 31, 2021	5,100,000	255,000	-	(7,783)	247,217
Common shares issued for cash	500,000	50,000	-	-	50,000
Common shares issued for IPO	2,500,000	250,000	-	-	250,000
Share issue costs	-	(126,505)	-	-	(126,505)
Share-based compensation:					
- share options	-	-	45,000	-	45,000
- agent's warrants	-	-	15,000	-	15,000
Net loss for the year	-	-	-	(79,721)	(79,721)
Balance at May 31, 2022	<u>8,100,000</u>	<u>428,495</u>	<u>60,000</u>	<u>(87,504)</u>	<u>400,991</u>

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

WHITEWATER ACQUISITION CORP.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year Ended	
	May 31, 2023 \$	May 31, 2022 \$
Operating activities		
Net income (loss) for the year	6,981	(79,721)
Adjustments for:		
Share-based compensation	-	45,000
Gain on settlement of accounts payable and accrued liabilities	(20,262)	-
Changes in non-cash working capital items:		
GST receivable	(1,236)	(6,121)
Prepays	(341)	6,967
Accounts payable and accrued liabilities	790	(6,966)
Net cash used in operating activities	(14,068)	(40,841)
Financing activities		
Issuance of common shares	-	300,000
Deferred share issue costs	-	(91,243)
Net cash provided by financing activities	-	208,757
Net change in cash during the year	(14,068)	167,916
Cash at beginning of year	412,950	245,034
Cash at end of year	398,882	412,950

Supplemental cash flow information - Note 9

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

WHITEWATER ACQUISITION CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022
(Expressed in Canadian Dollars)

1. Nature of Operations

Whitewater Acquisition Corp. (“Whitewater” or the “Company”) was incorporated on April 21, 2021 under the laws of British Columbia. On October 20, 2021 the Company completed an initial public offering (“IPO”) to be classified as a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (“TSXV”) Policy 2.4. The principal business of the Company is the identification and evaluation of assets or a business (the “Qualifying Transaction”) and, once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities. The Company’s records and registered and head office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia V6E 3V7.

As a CPC, the Company’s business objective is to identify and evaluate assets or businesses with a view to potential acquisition or participation by completing a Qualifying Transaction subject, in certain cases, to shareholder approval and acceptance by the TSXV. The Company has not commenced operations and has no significant assets other than cash. As at May 31, 2023 the Company had working capital of \$407,972. The Company’s continued operations are dependent upon its ability to successfully identify, evaluate and negotiate an agreement to acquire an interest in a sustainable/viable business operation. There is no assurance that the Company will identify a business or asset that warrants acquisition or participation, and/or will be able to obtain the financing necessary to support a new business acquisition.

Management has made an assessment of the Company’s ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the next 12 months. These financial statements do not give effect to any adjustments which 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 liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

2. Basis of Preparation

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards, (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

Basis of Measurement and Presentation

The Company’s financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments classified as fair value through profit or loss (“FVPTL”), which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis for accounting except for cash flow information. These financial statements are presented in Canadian dollars unless otherwise noted. The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgement of complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

3. Significant Accounting Policies

Income Taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

WHITEWATER ACQUISITION CORP.
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(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the group intends to settle its current tax assets and liabilities on a net basis.

Share Capital

Common shares issued by the Company are classified as shareholders' equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any related income tax effects.

Share-Based Compensation Transactions

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Warrants Issued in Equity Financing Transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are valued based on the residual value method and included in share capital with the common shares that were concurrently issued.

Warrants that are issued as payment for an agency fee or other transactions costs are accounted for as share-based payments.

Loss per Share

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

Financial Instruments

Recognition

The Company recognizes financial assets and financial liabilities on the date the Company becomes a party to the contractual provisions of the instruments.

WHITEWATER ACQUISITION CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022
(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories: i) those to be measured subsequently at fair value (either through other comprehensive income ("FVOCI") or through profit or loss ("FVTPL"), and ii) those to be measured at amortized costs. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows.

Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

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

The Company has implemented the following classifications:

- (i) Cash is classified as a financial asset and is measured at amortized cost.
- (ii) Accounts payable and accrued liabilities are classified as other financial liabilities and measured at amortized cost using the effective interest rate method.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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 the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition).

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit loss associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

The effect of a change in accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

WHITEWATER ACQUISITION CORP.
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3. Significant Accounting Policies (continued)

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

Judgments

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the next 12 months.

Estimates

- (i) The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.
- (ii) The calculation of share-based compensation requires estimates of volatility, forfeiture rates and market prices surrounding the issuance of share options. These estimates impact share-based compensation expense and share based compensation reserve.

The Company uses the Black-Scholes option pricing model for valuation of share based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, risk-free interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

4. Share Capital

(a) ***Authorized Share Capital***

The Company's authorized share capital consists of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) ***Equity Financings***

Fiscal 2023

No equity financings were conducted by the Company during fiscal 2023.

Fiscal 2022

During fiscal 2022 the Company:

- (i) issued 500,000 common shares at \$0.10 per share for \$50,000; and

WHITEWATER ACQUISITION CORP.
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4. Share Capital (continued)

- (ii) completed the IPO of 2,500,000 common shares at \$0.10 per share for gross proceeds of \$250,000 pursuant to a final prospectus dated September 20, 2021. The agent received a cash commission of \$25,000 and an aggregate of 250,000 non-transferable common share purchase warrants (an “Agent’s Warrant”) entitling the agent to purchase 250,000 common shares of the Company at \$0.10 per Agent’s Warrant at any time until the earlier of (i) October 20, 2026; or (ii) the date that is 12 months from the closing of the Company’s Qualifying Transaction. The fair value of the Agent’s Warrants has been estimated using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 1.3%; expected volatility of 80%; an expected life of 5 years; a dividend yield of 0%; and an expected forfeiture rate of 0%. The value assigned to the Agent’s Warrants was \$15,000. The weighted average fair value of the Agent’s Warrants issued was \$0.06 per warrant.

The Company incurred \$86,505 for legal and filing costs associated with the IPO. See also Note 5(b)(ii).

The Company also paid a corporate finance fee of \$10,000 to the agent.

(c) **Warrants**

A summary of the number of common shares reserved pursuant to the Company’s outstanding warrants at May 31, 2023 and 2022 and the changes for the years ended on those dates is as follows:

	2023		2022	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance, beginning of year	250,000	0.10	-	-
Issued	<u>-</u>	-	<u>250,000</u>	0.10
Balance, end of year	<u>250,000</u>	0.10	<u>250,000</u>	0.10

As at May 31, 2023 the Company had warrants outstanding and exercisable to purchase 250,000 common shares at an exercise price of \$0.10 per share expiring October 20, 2026.

(d) **Stock Options**

The Company has established a rolling share option plan (the “Plan”), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The exercise price of the options is set at the Company’s closing share price on the day before the grant date, less allowable discounts in accordance with the policies of the TSXV. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of ten years.

The Company did not grant any options during fiscal 2023.

During fiscal 2022 the Company granted share options to purchase 750,000 common shares and recorded compensation expense of \$45,000. The fair value of the share options granted was estimated using the Black-Scholes Option Pricing Model using the following assumptions: risk-free interest rate of 1.3%; estimated volatility of 80%; expected life of 5 years; expected dividend yield of 0%; and expected forfeiture rate of 0%. The weighted average measurement date fair value of the share options granted, using the Black-Scholes Option Pricing Model, was \$0.06 per option.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company’s share options.

WHITEWATER ACQUISITION CORP.
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(Expressed in Canadian Dollars)

4. Share Capital (continued)

A summary of the Company's share options at May 31, 2023 and 2022 the changes for the years ended on those dates, is as follows:

	2023		2022	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning of year	750,000	0.10	-	-
Granted	-	-	750,000	0.10
Balance, end of year	750,000	0.10	750,000	0.10

As at May 31, 2023 the Company had share options outstanding and exercisable to purchase 750,000 common shares at an exercise price of \$0.10 per share, expiring October 20, 2026.

(e) ***Escrowed Shares***

As at May 31, 2023, 5,100,000 (2022 - 5,100,000) issued and outstanding common shares are held in escrow pursuant to the policies of the TSXV.

5. Related Party Disclosures

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that its key management personnel currently comprises the Company's Board of Directors.

(a) ***Transactions with Key Management Personnel***

During fiscal 2023 the Company did not record any compensation for key management personnel.

During fiscal 2022 the Company recorded \$36,000 share-based compensation for share options granted to its directors.

(b) ***Transactions with Other Related Parties***

- (i) During fiscal 2023 the Company incurred \$8,221 (2022 - \$9,400) with Chase Management Ltd. ("Chase"), a private corporation owned by a director of the Company, for accounting and administrative services provided by Chase personnel, excluding the director. As at May 31, 2023 \$1,550 (2022 - \$800) remained unpaid and was included in accounts payable and accrued liabilities.

During fiscal 2022 the Company recorded \$9,000 share-based compensation for share options granted to Chase.

- (ii) Maxis Law Corporation ("Maxis"), of which a director of the Company is a partner of Maxis, provides legal services to the Company. During fiscal 2022 the Company recorded \$54,986 for services provided by Maxis, of which \$3,626 was recorded as general legal expenses and \$51,360 to share issue costs associated with the IPO. During fiscal 2023 the Company negotiated a credit of \$20,262 on the legal services provided by Maxis in fiscal 2022 and, accordingly, has credited the amount as a gain on settlement of accounts payable and accrued liabilities.

The Company incurred \$3,210 legal expenses with Maxis during fiscal 2023.

WHITEWATER ACQUISITION CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022
(Expressed in Canadian Dollars)

6. Income Taxes

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

	Year Ended May 31, 2023	Year Ended May 31, 2022
Net income (loss) for the year	6,981	(79,721)
Expected income tax (recovery)	2,000	(22,000)
Permanent differences	-	12,000
Share issue costs	(5,000)	(30,000)
Change in unrecognized deductible temporary differences	3,000	40,000
Total income tax expense (recovery)	-	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statements of financial position are as follows:

	May 31, 2023		May 31, 2022	
Temporary Differences	\$	Expiry Date Range	\$	Expiry Date Range
Share issue costs	67,000	2043 to 2046	89,000	2042 to 2046
Non-capital losses available for future periods	100,000	2041 to 2043	65,000	2041 to 2042

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

7. Management of Capital

Capital is comprised of the Company's shareholders' equity. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to \$3,000 per month may be used for reasonable general and administrative expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company.

8. Financial Instruments

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

Market Risk

Market risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk and are disclosed as follows:

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8. Financial Instruments (continued)

(a) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds no financial instruments that are denominated in a currency other than Canadian dollars. As at May 31, 2023 and 2022 the Company was not exposed to currency risk.

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market interest rates. The Company's sensitivity to interest rates relative to its cash balances is currently immaterial. The Company also has no long-term debt with variable interest rates, so it has no negative exposure to changes in the market interest rate.

(c) Price Rate Risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Management closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Given the Company's limited market exposure at this time it has assessed there to be a low level of price rate risk.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions. Management believes that the credit risk related to its cash is negligible. The Company's maximum exposure to credit risk is equal to the carrying amount of its cash and GST receivable.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At May 31, 2023, the Company has no sources of revenue but has a cash balance of \$398,882 (2022 - \$412,950) to settle current liabilities of \$1,641 (2022 - \$21,113). As such, management feels the Company has sufficient cash to fund corporate overhead costs for the next year. The Company's exposure to liquidity risk is currently negligible.

Fair Value Measurements

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

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

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

As at May 31, 2023 the Company's financial instruments consist of cash and accounts payable and accrued liabilities. The fair value of accounts payable and accrued liabilities approximate its carrying value because of its short-term nature.

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9. Supplemental Cash Flow Information

During fiscal 2023 and 2022 non-cash activities were conducted by the Company as follows:

	2023 \$	2022 \$
Operating activity		
Accounts payable and accrued liabilities	<u>-</u>	<u>20,262</u>
Financing activities		
Share issue costs	-	(35,252)
Share-based payments reserve	<u>-</u>	<u>15,000</u>
	<u>-</u>	<u>(20,262)</u>