

Corcel Exploration Inc.

Financial Statements

For the Years ended June 30, 2023 and 2022

(Expressed in Canadian Dollars)



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Corcel Exploration Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Corcel Exploration Inc. (the Company), which comprise the statements of financial position as at June 30, 2023 and 2022, and the statements of loss and comprehensive loss, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2023 and 2022, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

We draw your attention to Note 1 in the financial statements, which indicates that the Company incurred a comprehensive loss of \$116,118 during the year ended June 30, 2023. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual management's discussion and analysis, but does not include the financial statements and our auditor's report thereon.

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.

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 International Financial Reporting Standards, 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 relating 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 scepticism 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.

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

Clearhouse LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
September 6, 2023

Corcel Exploration Inc.
 Statements of Financial Position
 (Expressed in Canadian Dollars)

	As at June 30, 2023	As at June 30, 2022
	\$	\$
<u>Assets</u>		
Current Assets		
Cash	347,221	470,801
Other receivables (Note 4)	1,547	4,764
Total Assets	348,768	475,565
<u>Liabilities</u>		
Current Liabilities		
Accounts payable and accrued liabilities (Notes 5 and 9)	23,198	33,877
Total Liabilities	23,198	33,877
<u>Shareholders' Equity</u>		
Share capital (Note 6)	847,839	847,839
Warrants reserve (Note 8)	24,155	24,155
Accumulated deficit	(546,424)	(430,306)
Total Shareholders' Equity	325,570	441,688
Total Liabilities and Shareholders' Equity	348,768	475,565

Nature of operations and going concern (Note 1)
 Commitments (Note 11)
 Contingencies (Note 15)
 Subsequent events (Note 16)

Approved on behalf of the Board of Directors:

“Stephen Dunn”
 Stephen Dunn, Director

“Patrick Morton”
 Patrick Morton, Director

The accompanying notes are an integral part of these financial statements

Corcel Exploration Inc.

Statements of Loss and Comprehensive Loss

For the Years ended June 30, 2023 and 2022

(Expressed in Canadian Dollars)

	2023	2022
	\$	\$
<u>Expenses</u>		
Professional fees (Notes 9 and 14)	77,448	167,071
Exploration and evaluation expenditures (Note 11)	30,084	68,219
Transfer agent fees	5,678	8,760
General and administrative	2,908	13,902
Net Loss and Comprehensive Loss	(116,118)	(257,952)
Weighted Average Number of Outstanding Shares		
– Basic and diluted	21,750,000	18,963,562
Net Loss per Share – Basic and Diluted (Note 7)	(0.005)	(0.014)

The accompanying notes are an integral part of these financial statements

Corcel Exploration Inc.

Statements of Changes in Shareholders' Equity

For the Years ended June 30, 2023 and 2022

(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Warrants Reserve	Accumulated Deficit	Total
	#	\$	\$	\$	\$
Balance, June 30, 2021	12,600,000	233,250	-	(172,354)	60,896
Issuance of shares for cash (Note 6)	3,400,000	170,000	-	-	170,000
Issuance of shares on Initial Public Offering (Note 6)	5,750,000	575,000	-	-	575,000
Share issuance costs (Note 6)	-	(106,256)	-	-	(106,256)
Issuance of agent's warrants (Note 8)	-	(24,155)	24,155	-	-
Net loss and comprehensive loss	-	-	-	(257,952)	(257,952)
Balance, June 30, 2022	21,750,000	847,839	24,155	(430,306)	441,688
Net loss and comprehensive loss	-	-	-	(116,118)	(116,118)
Balance, June 30, 2023	21,750,000	847,839	24,155	(546,424)	325,570

The accompanying notes are an integral part of these financial statements

Corcel Exploration Inc.

Statements of Cash Flows

For the Years ended June 30, 2023 and 2022

(Expressed in Canadian Dollars)

	2023	2022
	\$	\$
<u>Operating Activities</u>		
Net loss for the year	(116,118)	(257,952)
Net change in non-cash working capital items:		
Other receivables	3,217	(3,807)
Accounts payable and accrued liabilities	(10,679)	21,701
Cash Flows (used in) Operating Activities	(123,580)	(240,058)
<u>Financing Activities</u>		
Proceeds from issuance of common shares (Note 6)	-	170,000
Proceeds from issuance of common shares on IPO (Note 6)	-	575,000
Share issuance costs (Note 6)	-	(106,256)
Cash Flows provided by Financing Activities	-	638,744
(Decrease) increase in cash	(123,580)	398,686
Cash, beginning of year	470,801	72,115
Cash, end of year	347,221	470,801

The accompanying notes are an integral part of these financial statements

Corcel Exploration Inc.

Notes to the Financial Statements

For the Years ended June 30, 2023 and 2022

(Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

Corcel Exploration Inc. (“Corcel” or the “Company”) was incorporated under the laws of the Province of British Columbia, Canada, on July 21, 2020. The Company was formed to engage in the business of acquiring, exploring, and evaluating mineral resource properties. On December 2, 2021, the Company completed its initial public offering (the “Offering”), and effective December 3, 2021, the Company’s common shares commenced trading under the ticker symbol “CRCL” on the Canadian Securities Exchange. The address of the Company’s corporate office and principal place of business is 335-1632 Dickson Avenue, Kelowna, British Columbia, V1Y 7T2, Canada.

The Company’s mineral resource properties are in the exploration stage and, as a result, the Company currently has no source of operating cash flow. The exploration and development of the Company’s mineral resource properties depend on the ability of the Company to obtain financing.

The Company incurred a net loss of \$116,118 for the year ended June 30, 2023 (2022 – net loss of \$257,952), and as at June 30, 2023, had an accumulated deficit of \$546,424 (2022 – \$430,306).

The Company’s future viability depends upon the acquisition and financing of mineral exploration or other projects. If the mineral projects are to be successful, additional funds will be required for development and, if warranted, to place them into commercial production. The expected primary source of future funds presently available to the Company is through the issuance of common shares. The ability of the Company to arrange such financing will depend, in part, on prevailing market conditions as well as the business performance of the Company. These events and conditions indicate the existence of material uncertainties that cast significant doubt on the Company’s ability to continue as a going concern. There can be no assurance that the Company will be successful in its efforts to arrange the necessary financing, if needed, on terms satisfactory to the Company. If additional financing is arranged through the issuance of shares, control of the Company may change, and shareholders may suffer significant dilution.

Although the Company has taken steps to verify title to the mineral resource properties in which it has an interest, in accordance with industry standards for 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, undetected defects, unregistered claims, native land claims, and non-compliance with regulatory and environmental requirements.

These financial statements have been prepared on a going concern basis which assumes that the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Realization values may be substantially different from carrying values as shown and the financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

2. Basis of Presentation

(a) Statement of Compliance

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and the IFRS Interpretations Committee. The accounting policies set out below were consistently applied to all periods presented unless otherwise noted.

These financial statements were reviewed, approved, and authorized for issuance by the Board of Directors (the “Board”) of the Company on September 6, 2023.

Corcel Exploration Inc.

Notes to the Financial Statements

For the Years ended June 30, 2023 and 2022

(Expressed in Canadian Dollars)

2. Basis of Presentation (continued)

(b) Basis of Measurement

These financial statements have been prepared in accordance with IFRS, on the historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Functional and Presentation Currency

These financial statements are presented in Canadian dollars, which is the functional currency of the Company, unless otherwise noted. The functional currency is the currency of the primary economic environment in which the Company operates.

(d) Significant Accounting Judgments and Estimates

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue, and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue, and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. These estimates are reviewed periodically, and adjustments are made as appropriate in the period they become known. Items for which actual results may differ materially from these estimates are described as follows:

Going concern

At each reporting period, management exercises judgment in assessing the Company's ability to continue as a going concern by reviewing the Company's performance, resources and future obligations. The conclusion that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short and long-term operating budgets, expected profitability, investment and financing activities and management's strategic planning. The assumptions used in management's going concern assessment are derived from actual operating results along with industry and market trends. Management believes there is sufficient capital to meet the Company's business obligations for at least the next 12 months, after taking into account expected cash flows, capital commitments, future financing and the Company's cash position at year-end.

Fair value of financial assets and financial liabilities

Fair value of financial assets and financial liabilities on the statements of financial position that cannot be derived from active markets, are determined using a variety of techniques including the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include, but are not limited to, consideration of model inputs such as volatility, estimated life and discount rates.

Income taxes

Income taxes and tax exposures recognized in the financial statements reflect management's best estimate of the outcome based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability. The difference between the expected amount and the final tax outcome has an impact on current and deferred taxes when the Company becomes aware of this difference.

In addition, when the Company incurs losses that cannot be associated with current or past profits, it assesses the probability of taxable profits being available in the future based on its budgeted forecasts. These forecasts are adjusted to take account of certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses.

Corcel Exploration Inc.

Notes to the Financial Statements

For the Years ended June 30, 2023 and 2022

(Expressed in Canadian Dollars)

2. Basis of Presentation (continued)

(d) Significant Accounting Judgments and Estimates (continued)

Warrants

Warrants are initially recognized at fair value, based on the application of the Black-Scholes valuation model (“Black-Scholes”). This pricing model requires management to make various assumptions and estimates which are susceptible to uncertainty, including the expected volatility of the share price, expected forfeitures, expected dividend yield, expected term of the warrants or options, and expected risk-free interest rate.

Provisions

The Company recognizes provisions if there is a present obligation as a result of a past event, it is probable that the Company will be required to settle the obligation and the obligation can be reliably estimated. The amount recognized as a provision reflects management’s best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

3. Summary of Significant Accounting Policies

(a) Cash

Cash on the statements of financial position comprises bank balances held in a Canadian chartered bank, which is available on demand.

(b) Financial Instruments

Financial assets and financial liabilities, including derivatives, are recognized on the statements of financial position when the Company becomes a party to the financial instrument or derivative contract.

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories: (a) those to be measured subsequently at fair value through profit or loss (“FVTPL”); (b) those to be measured subsequently at fair value through other comprehensive income (“FVTOCI”); and (c) those to be measured at amortized cost. 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 recorded in profit or loss.

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

Fair value through profit or loss

This category includes derivative instruments as well as quoted equity instruments which the Company has not irrevocably elected, at initial recognition or transition, to classify at FVTOCI. This category would also include debt instruments whose cash flow characteristics fail the solely principal and interest (“SPPI”) criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Financial assets in this category are recorded at fair value with changes recognized in profit or loss.

Financial assets at fair value through other comprehensive income

Equity instruments that are not held-for-trading can be irrevocably designated to have their change in FVTOCI instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are included in the carrying value of the instruments. Financial assets at FVTOCI are initially measured at fair value and changes therein are recognized in other comprehensive income (loss) (“OCI”).

Corcel Exploration Inc.

Notes to the Financial Statements

For the Years ended June 30, 2023 and 2022

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

(b) Financial Instruments (continued)

Classification (continued)

Amortized cost

This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. Financial asset classified in this category are measured at amortized cost using the effective interest method.

The Company's classification of financial assets and financial liabilities under IFRS 9 – Financial Instruments (“IFRS 9”) are summarized below:

Cash	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

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 issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. 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 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 OCI (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in OCI.

Impairment of financial assets

The Company's only financial assets subject to impairment are other accounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure the expected credit loss (“ECL”), accounts receivable has 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.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss and comprehensive loss.

Corcel Exploration Inc.

Notes to the Financial Statements

For the Years ended June 30, 2023 and 2022

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

(b) Financial Instruments (continued)

Derecognition (continued)

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of loss and comprehensive loss.

Fair value hierarchy

The Company classifies fair value measurements 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. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at June 30, 2023 and 2022, the Company did not have any financial instruments measured at fair value.

(c) Exploration and Evaluation Expenditures

The Company expenses exploration and evaluation (“E&E”) expenditures as incurred. E&E expenditures include acquisition costs of mineral property rights, property option payments and E&E activities.

Once a project has been established as commercially viable, technically feasible and the decision to proceed with development has been approved by the Board, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations.

Capitalization ceases when the mine is capable of commercial production. The capitalized balance, net of any impairment recognized, is then reclassified to either tangible or intangible mine development assets according to the nature of the asset.

(d) Restoration and Environmental Obligations

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 the related asset along with a corresponding increase in the restoration provision in the period incurred or expensed if it relates to E&E properties. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

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

Changes in the net present value, excluding changes in the Company’s estimates of restoration costs, are charged to the statements of loss and comprehensive loss.

Corcel Exploration Inc.

Notes to the Financial Statements

For the Years ended June 30, 2023 and 2022

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

(e) Income Taxes

Income tax expense comprises current and deferred income tax expense. Current and deferred taxes are recognized in net loss, except to the extent that it relates to items recognized directly in equity or in OCI.

Current income taxes

Current income taxes are recognized and measured at the amount expected to be recovered from, or payable to, the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred income taxes

Deferred income taxes are recorded for temporary differences at the date of the statements of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of a deferred income tax asset is reviewed at the end of the reporting period and is 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 income tax asset to be utilized.

Unrecognized deferred income tax assets are reassessed at the end of the reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to 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 the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, they relate to income taxes levied by the same taxation authority and the Company has the legal rights and intent to offset.

(f) Equity

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(g) Loss Per Share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year.

(h) Provisions

Provisions are recorded when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

As at June 30, 2023 and 2022, the Company had no material provisions.

Corcel Exploration Inc.

Notes to the Financial Statements

For the Years ended June 30, 2023 and 2022

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

(i) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to 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.

(j) Adoption of New Accounting Policies

The Company adopted the following amendments, effective July 1, 2022. The changes were made in accordance with the applicable transitional provisions. The Company had assessed that there was no material impact upon their adoption on its financial statements:

Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”)

In May 2020, the IASB issued amendments to update IAS 37. The amendments specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract.

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”)

In February 2021, the IASB issued *Definition of Accounting Estimates*, which amended IAS 8. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments to IAS 8 are effective for annual periods beginning on or after January 1, 2023. The Company early-adopted these amendments as permitted.

4. Other Receivables

The Company’s other receivables balance represents amounts due from government taxation authorities in respect of the Goods and Services Tax/Harmonized Sales Tax. The Company anticipates full recovery of these amounts and therefore no expected credit losses have been recorded against these receivables, which are due in less than one year.

5. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding for trade purchases incurred in the normal course of business.

	June 30, 2023	June 30, 2022
	\$	\$
Accounts payable	6,637	15,865
Accrued liabilities	16,561	18,012
	23,198	33,877

The Company’s standard term for trade payables is 30 to 60 days.

Corcel Exploration Inc.

Notes to the Financial Statements
For the Years ended June 30, 2023 and 2022
(Expressed in Canadian Dollars)

6. Share Capital

Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value. Common shares issued and outstanding as at June 30, 2023 and 2022 are as follows:

	Number of common shares	Amount
	#	\$
Balance, June 30, 2021	12,600,000	233,250
Issuance of common shares	3,400,000	170,000
Issuance of common shares on Offering	5,750,000	575,000
Share issuance costs	-	(130,411)
Balance, June 30, 2022 and 2023	21,750,000	847,839

Share capital transactions for the years ended June 30, 2022 and 2023

On August 6, 2021, the Company issued 3,400,000 common shares, at a price of \$0.05 per common share, for gross proceeds of \$170,000.

On December 2, 2021, the Company completed the Offering of 5,750,000 common shares at a price of \$0.10 per common share, for gross proceeds of \$575,000. In connection with the Offering, the Company granted the agent (the "Agent") 460,000 non-transferrable share purchase warrants (the "Agent's Warrants") with each Agent's Warrant exercisable into one common share of the Company at the price of \$0.10 until December 2, 2023. In addition, the Company paid total issuance costs of \$106,256 comprised of (i) a cash commission of \$46,000, representing 8% of the gross proceeds raised in the Offering, (ii) a corporate finance fee of \$35,000, and (iii) a reimbursement to the Agent for legal expenses incurred of \$25,256.

There were no share capital transactions for the year ended June 30, 2023

7. Loss per Share

Basic and diluted loss per share is calculated by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. For the year ended June 30, 2023, the basic and diluted loss per share was \$0.005 (2022 – loss of \$0.014 per share). Currently, the Company's basic and diluted loss per share is the same, as warrants issued to date are anti-dilutive.

8. Warrants Reserve

In connection with the Offering which closed on December 2, 2021, the Company granted 460,000 Agent's Warrants, with each Agent's Warrant exercisable into one common share at the price of \$0.10 until December 2, 2023. The grant date fair value of the Agent's Warrants issued was estimated to be \$24,155 using Black-Scholes with the following assumptions: expected volatility of 100% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 0.96% and an expected life of two years. On closing, issuance cost of \$24,155 was allocated to warrants reserve.

The following table summarizes information of warrants outstanding as at June 30, 2023:

Date of expiry	Number of warrants outstanding	Exercise Price	Weighted average remaining life
	#	\$	Years
December 2, 2023	460,000	0.10	0.42
	460,000	0.10	0.42

Corcel Exploration Inc.

Notes to the Financial Statements

For the Years ended June 30, 2023 and 2022

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9. Related Party Transactions

In accordance with IAS 24 – Related Party Disclosures, key management personnel, including companies controlled by them, are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of members of key management personnel during the year ended June 30, 2023 and 2022 were as follows:

	2023	2022
	\$	\$
Professional fees	37,800	30,000
	37,800	30,000

During the year ended June 30, 2023, Branson Corporate Services Ltd. (“Branson”), where the Company’s Chief Financial Officer (“CFO”) is employed, charged fees of \$36,000 (2022 – \$30,000), for CFO services provided to the Company, as well as other accounting and administrative services, which are included in professional fees. As at June 30, 2023, a balance of \$3,150 (June 30, 2022 – \$3,150) was owed to Branson and is included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

During the year ended June 30, 2023, a director of the Company charged fees of \$1,800 (2022 – \$nil) for certain consulting services provided to the Company, which are also included in professional fees. As at June 30, 2023, no balance was owed to the director (June 30, 2022 – \$nil).

10. Income Taxes

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:

	June 30, 2023	June 30, 2022
	\$	\$
Loss before income taxes	(116,118)	(257,952)
Combined statutory income tax rate	26.5%	26.5%
Expected income tax recovery based on statutory rate	(30,771)	(68,357)
Adjustment to expected income tax recovery		
Permanent differences and other	(5,266)	(460)
Share issue costs recorded in equity	-	(22,527)
Change in unrecorded deferred tax asset not recognized	36,037	91,344
Income tax expense	-	-

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 values of assets and liabilities. Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	June 30, 2023	June 30, 2022
	\$	\$
Non-capital losses carried forward	360,338	242,150
Exploration and evaluation assets	292,342	274,543
Deferred tax asset	652,680	516,693
Less: Deferred tax assets not recognized	(652,680)	(516,693)
Deferred tax asset (liability)	-	-

Corcel Exploration Inc.

Notes to the Financial Statements

For the Years ended June 30, 2023 and 2022

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10. Income Taxes (continued)

The tax losses of \$360,338 fully expire between 2041 and 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.

11. Exploration and Evaluation Expenditures

On August 4, 2020, the Company entered into an option agreement (the “Option Agreement”) with two individual vendors (the “Optionors”) to acquire a 100% interest in the Peak Mineral Property (the “Peak Property”) located in the Province of British Columbia, in exchange for 1,000,000 common shares of the Company with a fair value of \$20,000 based on the price of the most recent private placement financing at the time.

Pursuant to the Option Agreement, the Company is required to spend \$250,000 in exploration on the Peak Property:

- (i) \$100,000 by December 31, 2020 (completed); and
- (ii) \$150,000 by July 20, 2023.

A 2% royalty on net smelter returns (“NSR”) from all production by the Company at the Peak Property will be payable. The Company may purchase one-half (1/2) of the NSR for \$1,000,000 at any time prior to specified milestones for commercial production.

During the years ended June 30, 2023 and 2022, the Company’s E&E expenditures are comprised of the following:

	2023	2022
	\$	\$
Field program	29,899	64,079
Claim registration	185	-
Data compilation	-	4,140
	30,084	68,219

Subsequent to year-end, the Company and the Optionors agreed to extend and amend the terms of the Option Agreement to July 20, 2024 (see Note 16 for more details).

12. Capital Management

The Company’s objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain optimal returns to shareholders and benefits for its stakeholders. While the Company does not yet have any revenues, management monitors its capital structure and makes adjustments according to market conditions to meet its objectives given the current outlook of the business and industry in general. The Board of the Company does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the management team to sustain the future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company’s capital management objectives, policies and processes have remained unchanged since the Company’s most recent financial reporting period.

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

Corcel Exploration Inc.

Notes to the Financial Statements

For the Years ended June 30, 2023 and 2022

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13. Financial Instruments

The Company's financial instruments consist primarily of cash, and accounts payable and accrued liabilities. The Company is exposed to various risks as it relates to these financial instruments. Management, under oversight of the Board, mitigates these risks by assessing and monitoring the Company's risk management processes. There have not been any changes in the nature of these risks or the process of managing these risks from the previous reporting periods.

Credit risk

Credit risk is the risk of potential loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash. Cash is held with a reputable Canadian chartered bank, which is closely monitored by management. Management believes that the credit risk concentration with respect to financial instruments included in cash is minimal.

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 manages its liquidity risk by reviewing its capital requirements on an ongoing basis. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at June 30, 2023, the Company had a cash balance of \$347,221 (June 30, 2022 – \$470,801) to settle current liabilities of \$23,198 (June 30, 2022 – \$33,877).

The following table summarizes the carrying amount and the contractual maturities of both the interest and principal portion of significant financial liabilities as at June 30, 2023:

	Carrying amount	Year 1	Year 2 to 3	Year 4 to 5
	\$	\$	\$	\$
Accounts payable and accrued liabilities	23,198	23,198	-	-

The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring anticipated cash flows to identify financial requirements. Where insufficient liquidity may exist, the Company may pursue various debt and equity instruments for short or long-term financing of its operations.

Management believes there is sufficient capital to meet short-term business obligations, after taking into account cash flow requirements from operations and the Company's cash position as at June 30, 2023.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at June 30, 2023, the Company had no financial instruments which are interest-bearing, and had no hedging agreements in place with respect to floating interest rates. Management believes that the interest rate risk concentration with respect to financial instruments is minimal.

Foreign exchange risk

Foreign exchange risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities. The Company's operations are based in Canada, but may have, from time to time, transactions denominated in foreign currencies. The Company's primary exposure to foreign exchange risk is that transactions denominated in foreign currency may expose the Company to the risk of exchange rate fluctuations. Based on its current operations, management does not anticipate a high volume of transactions to be denominated in foreign currencies and believes that the foreign exchange risk remains minimal.

Corcel Exploration Inc.

Notes to the Financial Statements

For the Years ended June 30, 2023 and 2022

(Expressed in Canadian Dollars)

13. Financial Instruments (continued)

Fair value

Fair value estimates of financial instruments are made at a specific point in time based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

As at June 30, 2023, the Company's financial instruments consisted of cash, and accounts payable and accrued liabilities. The fair value of cash and accounts payables and accrued liabilities are approximately equal to their carrying value due to their short-term nature.

14. Professional Fees

During the years ended June 30, 2023 and 2022, the Company's professional fees are comprised of the following:

	2023	2022
	\$	\$
Audit and accounting expenses	56,876	57,020
General legal expenses	4,277	8,943
Consulting fees	2,520	-
Listing and filing fees	13,775	101,108
	<u>77,448</u>	<u>167,071</u>

15. Contingencies

The Company's E&E activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. As at the date hereof, the Company believes its operations are materially in compliance with all applicable laws and regulations. The Company expects to make future expenditures to comply with such laws and regulations.

16. Subsequent Events

On July 20, 2023, the Company reached a binding agreement (the "Amending Agreement") with the Optionors, to extend and amend the terms of the Option Agreement relating to the Peak Property, to provide that the Company may complete the exercise of the option by incurring the exploration expenses required for the second milestone before July 20, 2024.

On August 2, 2023, pursuant to the Amending Agreement and in consideration of extending and amending the terms of the Option Agreement, the Company issued an aggregate of 1,000,000 common shares to the Optionors, of which 500,000 common shares were issued to a director of Corcel.