



Nickel Rock Resources Inc.

Nickel Rock Resources Inc.
Consolidated Financial Statements
For the Year Ended 30 June 2022
(Expressed in Canadian dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Nickel Rock Resources Inc.,

Opinion

We have audited the consolidated financial statements of Nickel Rock Resources Inc. (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2022 and 2021, 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 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 1 to the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in 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 identified above 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 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 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.

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

DML

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

October 6, 2022



An independent firm
associated with Moore
Global Network Limited

Nickel Rock Resources Inc.
Consolidated Statements of Financial Position
As at 30 June 2022 and 2021
(Expressed in Canadian dollars)

As at	Notes	2022	2021
		\$	\$
ASSETS			
Current assets			
Cash		502,109	1,301,655
Amounts receivable	4,14	45,192	45,694
Short-term investments	5,6,12,14	250,000	-
Prepaid expenses		22,947	3,401
Total current assets		820,248	1,350,750
Exploration and evaluation properties	6	835,821	3,116,945
Reclamation bond	6	35,000	35,000
Right-of-use asset	7	-	21,017
Total assets		1,691,069	4,523,712
EQUITY (DEFICIENCY) AND LIABILITIES			
Current liabilities			
Trade and other payables	8	21,483	34,020
Current portion of lease liability	9	-	21,859
Total liabilities		21,483	55,879
Equity			
Common shares	10	9,111,572	8,888,572
Reserves	10	4,566,124	4,566,124
Deficit		(12,008,110)	(8,986,863)
Total equity		1,669,586	4,467,833
Total equity and liabilities		1,691,069	4,523,712

Nature of operations and going concern (Note 1)

Commitments and Contingencies (Note 16)

APPROVED BY THE BOARD:

“Robert Setter”

“John Oness”

Robert Setter

John Oness

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

Nickel Rock Resources Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended 30 June 2022 and 2021
(Expressed in Canadian dollars)

	Notes	Year ended 31 June 2022	Year ended 31 June 2021
		\$	\$
Administration expenses			
Bank charges and interest		979	2,054
Consulting	14,15	237,588	568,161
Corporate development		-	41,284
Depreciation – ROU asset	7	21,017	22,287
Finance charge	9	-	1,371
Marketing and communications		24,493	1,006,230
Office and miscellaneous		24,332	32,743
Professional fees		20,536	21,647
Rent	9	40,419	32,190
Share-based payments		-	252,080
Transfer agent fees		10,869	106,611
Travel, lodging and food		-	1,610
Donations		500	-
Loss before other items		(380,733)	(2,088,268)
Other items			
Foreign exchange loss		(3,099)	10,003
Impairment of exploration and evaluation properties	5,6	(1,812,415)	-
Loss on change of fair value of short term investment	5,6,14	(825,000)	-
Net loss for the period		(3,021,247)	(2,078,265)
Comprehensive loss for the period		(3,021,247)	(2,078,265)
Loss per share			
Basic and diluted	11	(0.042)	(0.052)

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

Nickel Rock Resources Inc.
Consolidated Statements of Cash Flows
For the years ended 30 June 2022 and 2021
(Expressed in Canadian dollars)

Year ended	Notes	30 June 2022	30 June 2021
		\$	\$
OPERATING ACTIVITIES			
Loss for the period		(3,021,247)	(2,078,265)
Adjustment for:			
Depreciation	7	21,017	22,287
Finance charge	9	-	1,371
Share-based payments		-	252,080
Impairment of exploration and evaluation properties	6	1,812,415	-
Loss on change of fair value of short term investment	5,6,12,14	825,000	-
Changes in operating working capital:			
Decrease (increase) in amounts receivable	4	502	(24,266)
Increase in prepaid expenses		(19,546)	(22,696)
Decrease in trade and other payables	8	(12,537)	(44,288)
Cash used in operating activities		(394,396)	(1,893,777)
INVESTING ACTIVITIES			
Exploration and evaluation properties expenditures	6	(536,541)	(479,538)
Cash used in investing activities		(536,541)	(479,538)
FINANCING ACTIVITIES			
Proceeds from issuance of common shares		-	1,512,575
Exercise of warrants	10	73,500	135,000
Exercise of options	10	79,750	1,641,500
Lease payments	9	(21,859)	(23,408)
Cash from financing activities		131,391	3,265,667
Decrease in cash		(799,546)	892,352
Cash, beginning of period		1,301,655	409,303
Cash, end of period		502,109	1,301,655
Non-cash financing and investing activities:			
Shares issued for finder's fees	10	-	120,086
Shares issued for mineral properties	6,10	69,750	2,620,125

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

Nickel Rock Resources Inc.
Consolidated Statements of Changes in Equity
For the years ended 30 June 2022 and 2021
(Expressed in Canadian dollars)

	Note	Number of common shares	Common shares	Stock option reserve	Warrant reserve	Deficit	Total
			\$	\$	\$	\$	\$
Balances, 30 June 2020		10,459,153	3,099,458	893,084	3,300,874	(6,908,598)	384,818
Shares issued for:							
Cash	10	24,000,000	1,520,000	-	-	-	1,520,000
Finder's fee	10	1,850,000	(127,511)	-	120,086	-	(7,425)
Mineral property	10	6,125,000	2,620,125	-	-	-	2,620,125
Exercise of options	10	2,700,000	135,000	-	-	-	135,000
Exercise of warrants	10	24,345,000	1,641,500	-	-	-	1,641,500
Share-based payments		-	-	252,080	-	-	252,080
Net and comprehensive loss for the year		-	-	-	-	(2,078,265)	(2,078,265)
Balances, 30 June 2021		69,479,153	8,888,572	1,145,164	3,420,960	(8,986,863)	4,467,833
Shares issued for:							
Exercise of options	10	1,230,000	79,750	-	-	-	79,750
Exercise of warrants	10	1,150,000	73,500	-	-	-	73,500
Mineral Properties	10	450,000	69,750	-	-	-	69,750
Net and comprehensive loss for the year		-	-	-	-	(3,021,247)	(3,021,247)
Balances, 30 June 2022		72,309,153	9,111,572	1,145,164	3,420,960	(12,008,110)	1,669,586

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

Nickel Rock Resources Inc.
Notes to the Consolidated Financial Statements
For the years ended 30 June 2022 and 2021
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Nickel Rock Resources Inc. (the “Company”) was incorporated on 2 June 2011 under the laws of the province of British Columbia. The Company is a reporting issuer in British Columbia and Alberta and the Company’s shares are listed on the TSX Venture Exchange (“TSXV”) under the trading symbol “NICKL” and co-listed on the OTCQB (United States) under the symbol “NIKLF”. The Company is in the process of acquiring, exploring and developing mineral resources located in Nevada. The Company will attempt to bring the properties to production, structure joint ventures with others, option or lease properties to third parties, or sell the properties outright. The Company has not yet determined whether these properties contain ore reserves, which are economically recoverable and the Company is considered to be in the exploration stage.

On 3 March 2016, the Company incorporated a wholly owned subsidiary in Nevada, US, Nevada Energy Metals, USA Inc. (Note 2.1).

The head office and principal address is located at Suite 1220, 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

1.1 Going concern

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern which assumes that the Company will be able to continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

Several conditions cast significant doubt on the validity of this assumption and ultimately the appropriateness of the use of accounting principles related to a going concern. From inception to 30 June 2022, the Company has incurred \$12,008,110 in losses from operations, earned no revenues and has experienced negative cash flows from operating activities. As at 30 June 2022, the Company had cash of \$502,109 (30 June 2021: \$1,301,655) and working capital of \$798,765 (30 June 2021: \$1,294,871), but management cannot provide assurance that the Company will ultimately achieve profitable operations, or raise additional debt and/or equity capital. As at 30 June 2022, the Company did not have sufficient cash reserves to conduct exploration and to continue operations during the current year. However, the Company will require additional funding in the future to be able to advance and retain mineral exploration and evaluation property interests. The ability of the Company to continue as a going concern is dependent on raising additional financing, retaining or attracting joint venture partners, developing its properties and/or generating profits from operations or the disposition of properties in the future.

Nickel Rock Resources Inc.
Notes to the Consolidated Financial Statements
For the years ended 30 June 2022 and 2021
(Expressed in Canadian dollars)

2. BASIS OF PREPARATION

2.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary as follows:

Name	Country of Incorporation	% Equity interest at	
		2022	2021
Nevada Energy Metals USA Inc. (Note 1)	USA	100%	100%

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements of subsidiaries are included in the consolidated financial statements from the date that control is obtained to the date control ceases. All inter-company transactions, balances, income and expenses are eliminated upon consolidation.

2.2 Basis of presentation

The Company's consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in Note 12, and are presented in Canadian dollars except where otherwise indicated. Certain prior period amounts have been reclassified to be consistent with current period presentation

2.3 Statement of compliance

The consolidated financial statements of the Company and its subsidiary, including comparatives, have been prepared in accordance with accounting policies in compliance with IFRS and International Accounting Standards ("IAS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended 30 June 2022.

Nickel Rock Resources Inc.
Notes to the Consolidated Financial Statements
For the years ended 30 June 2022 and 2021
(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of income and expenses during the reporting year. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the fair value measurements for financial instruments and share-based payments, the recognition and valuation of provisions for decommissioning liabilities, the carrying value of exploration and evaluation properties, the valuation of all liability and equity instruments including warrants and stock options, the recoverability and measurement of deferred tax assets and liabilities and ability to continue as a going concern. Actual results may differ from those estimates and judgments

Information about critical 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 consolidated financial statements within the next financial year are discussed below:

Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining the point at which a property has economically recoverable resources, in which case subsequent exploration costs and the costs incurred to develop the property are capitalized into development assets. The determination may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of loss and comprehensive loss in the year when new information becomes available.

Determining whether to test for impairment of mineral exploration properties and deferred exploration assets requires management's judgment regarding the following factors, among others: the year for which the entity has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amounts of the exploration assets are unlikely to be recovered in full from successful development or by sale.

Nickel Rock Resources Inc.
Notes to the Consolidated Financial Statements
For the years ended 30 June 2022 and 2021
(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Significant accounting judgments, estimates and assumptions (continued)

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined. Identifying the cash-generating units requires management judgment. In testing an individual asset or cash-generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Company's assets and earnings may occur during the next year.

Decommissioning and restoration costs

Management is not aware of any restoration, rehabilitation and environmental provisions as at 30 June 2022 and 2021. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value and these estimates are updated annually. 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 exploration and evaluation property. Such estimates are subject to change based on changes in laws, regulations and negotiations with regulatory authorities.

Share based payments

Management assesses the fair value of stock options granted in accordance with the accounting policy stated in Note 3.11. The fair value of stock options is measured using the Black-Scholes Option Valuation Model. The fair value of stock options granted using valuation models is only an estimate of their potential value and requires the use of estimates and assumptions.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. Under the residual method, one component is measured first and the residual amount is allocated to the remaining component. The Company measures the value of the common shares first. The balance, if any, is allocated to the warrants. Any fair value attributed to the warrants is recorded as reserves.

Nickel Rock Resources Inc.
Notes to the Consolidated Financial Statements
For the years ended 30 June 2022 and 2021
(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Significant accounting judgments, estimates and assumptions (continued)

Deferred income taxes

Judgement is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future years, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that the cash flows and taxable income differ significantly from estimates, the ability of the Company to realized the net deferred tax assets recorded at the statement of financial position date, if any, could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company and its subsidiary operate could limit the ability of the Company to obtain tax deductions in future years.

Going concern

These consolidated financial statements have been prepared on a basis which assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. In assessing whether this assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting year. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company's own resources and external market conditions (Note 1.1).

Determination of Functional Currency

The functional currency of the Company's subsidiary is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgements to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic event.

3.2 Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less.

3.3 Taxation

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive loss or equity is recognized in other comprehensive loss or equity and not in profit or loss.

Nickel Rock Resources Inc.
Notes to the Consolidated Financial Statements
For the years ended 30 June 2022 and 2021
(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Taxation (continued)

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is provided, using the liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date 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 income tax asset to be utilized.

Deferred 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 the tax rates that have been enacted or substantively enacted at the reporting date.

3.4 Exploration and evaluation properties

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Option payments received are treated as a reduction of the carrying value of the related exploration and evaluation properties and deferred costs until the receipts are in excess of costs incurred, at which time they are credited to income. Option payments are at the discretion of the optionee, and accordingly, are recorded on a cash basis.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and/or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Nickel Rock Resources Inc.
Notes to the Consolidated Financial Statements
For the years ended 30 June 2022 and 2021
(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Exploration and evaluation properties (continued)

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

3.5 Decommissioning, restoration and similar liabilities

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of mineral properties and 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 cost estimates arising from the decommissioning of plant, site restoration work and other similar retirement activities is added to the carrying amount of the related asset, and depreciated on the same basis as the related asset, along with a corresponding increase in the provision in the year incurred. Discount rates using a pre-tax rate that reflect the current market assessments of the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the provision.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the year. The net present value of reclamation costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the year incurred. The costs of reclamation projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation properties. A gain or loss may be incurred upon settlement of the decommissioning obligation.

3.6 Financial assets and liabilities

The following is the Company's accounting policy for financial instruments under IFRS 9:

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Nickel Rock Resources Inc.
Notes to the Consolidated Financial Statements
For the years ended 30 June 2022 and 2021
(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial assets and liabilities (continued)

The following table shows the classification under IFRS 9:

Financial assets/liabilities	IFRS 9 Classification
Cash	FVTPL
Short-term investment (Note 5)	FVTPL
Amounts receivable (Note 4)	Amortized cost
Trade payables (Note 8)	Amortized cost

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the year in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Nickel Rock Resources Inc.
Notes to the Consolidated Financial Statements
For the years ended 30 June 2022 and 2021
(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk of the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company recognizes in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

3.8 Derecognition of financial assets and liabilities

Financial assets are derecognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

For financial liabilities, they are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3.9 Impairment of non-financial assets

The carrying amount of the Company's assets is reviewed for an indication of impairment at the end of each reporting year. If an indication of impairment exists, the Company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. Recoverable amount of an asset group is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Impairment of non-financial assets (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

3.10 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, 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.

3.11 Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and recognized over the vesting years. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

The fair value of the options, as determined using the Black-Scholes Option Valuation Model, which incorporates all market vesting conditions are expensed to profit or loss. The corresponding amount is recorded to the stock options reserve. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting year such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that will eventually vest.

3.12 Foreign currency translation

The Company's reporting currency and the functional currency of all of its operations, including that of its subsidiary, is the Canadian dollar as this is the principal currency of the economic environment in which it operates.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Foreign currency translation (continued)

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the year in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

3.13 Earnings (loss) per share

Basic per share amounts are calculated by dividing the earnings or loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the year. Diluted per share amounts are determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which consist of share purchase warrants and stock options.

3.14 Leases

On January 2016, the IASB issued IFRS 16 which replaces IAS 17 Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice.

3.15 Standards, amendments and interpretations issued but not yet effective

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been early adopted by the Company.

Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below. The Company is evaluating the impact of these standards. Certain other new standards, amendments, and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Standards, amendments and interpretations issued but not yet effective (continued)

Amendments to IAS 37 Onerous contracts - Cost of Fulfilling a Contract

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated.

Other standards

The following new and amended standards are not expected to have a significant impact on the Company's consolidated financial statements.

- COVID-19-Related Rent Concessions (Amendment to IFRS 16);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Reference to Conceptual Framework (Amendments to IFRS 3);
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1); and
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.

4. AMOUNTS RECEIVABLE

The Company's amounts receivable are as follows:

	2022	2021
	\$	\$
GST/HST receivable	31,856	32,358
Other amounts receivable	13,336	13,336
Total amounts receivable	45,192	45,694

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5. SHORT TERM INVESTMENTS

On 7 July, 2021, the company entered into an option agreement with Surge Battery Metals Inc. (“Surge”), whereby Surge may earn an undivided 80% interest in the HN4 and N100 nickel group of claims, located in Northern British Columbia (Note 6.3). As consideration for the transaction, the Company received 5,000,000 common shares of Surge. In relation to this transaction, the Company recorded short term investments of \$1,075,000 as at date of closing – 15 November 2021 subsequently measured at fair value of \$250,000 (Notes 6, 12, and 14).

During the year end the Company recorded an adjustment to loss on change of fair value of short term investment of \$825,000 to reflect the market value of 5,000,000 shares at year end (Note 6).

	Number of shares received	Price per share	Short term investment value
	\$	\$	\$
Beginning balance (November 15, 2021)	5,000,000	0.215	1,075,000
Fair value as at June 30, 2022	5,000,000	0.13	250,000
Loss on change of fair value of short term investment			825,000

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6. EXPLORATION AND EVALUATION PROPERTIES

<i>For the year ended 30 June 2022</i>	Clayton Valley BFF-1	Klone Group	Nickel Project	Total
	\$	\$	\$	\$
Balance, 30 June 2021	163,870	60,607	2,892,468	3,116,945
Acquisition cost	-	-	144,750	144,750
Claims and fees	25,907	-	-	25,907
Geological	-	-	432,782	432,782
Consulting	-	-	2,852	2,852
Value of shares received for option payment (Note 5)	-	-	(1,075,000)	(1,075,000)
Impairment	-	(60,607)	(1,751,808)	(1,812,415)
Net change for the period	25,907	(60,607)	(2,246,424)	(2,281,124)
Balance, 30 June 2022	189,777	-	646,044	835,821

<i>For the year ended 30 June 2021</i>	Clayton Valley BFF-1	Klone Group	Nickel Project	Total
	\$	\$	\$	\$
Balance, 30 June 2020	17,282	-	-	17,282
Acquisition	-	58,625	2,666,000	2,724,625
Claims and fees	121,921	-	192,720	314,641
Geological	17,673	-	-	17,673
Consulting	6,994	1,982	33,748	42,724
Net change for the year	146,588	60,607	2,892,468	3,099,663
Balance, 30 June 2021	163,870	60,607	2,892,468	3,116,945

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6. EXPLORATION AND EVALUATION PROPERTIES (continued)

6.1 Clayton Valley BFF-1

The Company staked claims located in Clayton Valley, Esmeralda County, Nevada (the “Clayton Valley BFF-1 Property”). During the year ended 30 June 2021, the Company expanded its claims in Clayton Valley by staking 41 new lode claims.

6.2 Klone Group

On 15 October 2020, the Company entered into an option agreement to earn 100% interest in the Klone Group of mineral claims located in Fort St. James in British Columbia. The Company may exercise the option by making a total of \$305,000 cash payments, issuing 550,000 common shares and incurring \$1,000,000 in exploration expenditures over 5 years. In relation to this option agreement, the Company made an initial cash payment of \$35,000 and issued 75,000 common shares with a fair value of \$10,125. Additionally, the Company issued 100,000 finder’s shares with a fair value of \$13,500. The Company is required to issue shares, make payments and incur exploration expenditures as follows:

		Payments	Shares	Exploration Expenditures
On signing agreement	(paid, issued)	\$35,000	75,000	-
On or before 15 October 2021		\$35,000	75,000	\$200,000
On or before 15 October 2022		\$35,000	50,000	\$200,000
On or before 15 October 2023		\$45,000	50,000	\$200,000
On or before 15 October 2024		\$55,000	50,000	\$200,000
On or before 15 October 2025		\$100,000	250,000	\$200,000
		\$305,000	550,000	\$1,000,000

During the year ended 30 June 2022, the agreement for Klone Group option agreement was terminated. The Company wrote off the mineral property related to agreement and recognized an impairment of \$60,607.

6.3 Nickel Project

On 23 October 2020, the Company entered into two purchase and sale agreements with John Malcolm Bell to acquire 100% interest, subject to a 2% net smelter royalty, in each of two nickel exploration projects located in British Columbia, Canada. Pursuant to the terms of the agreement the Company paid cash in the amount of \$19,500 and issued 5,000,000 common shares with a fair value of \$2,250,000. Additionally, the Company issued 500,000 finder’s shares with a fair value of \$225,000 (Note 10).

On 2 February 2021, the Company entered into an option agreement with arm's-length vendor 802213 AB Ltd. (Kelly Funk) for the purchase of a 100% interest, subject to a 2% net smelter royalty, in six mineral claims located in British Columbia. Additionally, the Company staked two adjoining claims. The Company may exercise the option by making a total of \$1,075,000 cash payments, issuing 6,000,000 common shares and incurring \$1,050,000 in exploration expenditures over a 4 year period and the conversion of the claims to a mining lease.

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6. EXPLORATION AND EVALUATION PROPERTIES (continued)

6.3 Nickel Project (continued)

In relation to this option agreement, the Company made an initial cash payment of \$50,000 and issued 450,000 common shares with a fair value of \$121,500. On 2 February 2022 the company paid \$75,000 and issued 450,000 common shares with a fair value of \$69,750 in relation to the first anniversary of the option agreement (Note 10).

The Company is required to issue shares, make payments and incur exploration expenditures as follows:

		Payments	Shares	Exploration Expenditures
On signing agreement	(paid)	\$50,000	-	-
On TSXV approval	(issued)	-	450,000	-
On or before 2 February 2022	(paid and issued)	\$75,000	450,000	\$100,000
On or before 2 February 2023		\$100,000	500,000	\$150,000
On or before 2 February 2024		\$150,000	600,000	\$300,000
On or before 2 February 2025		\$200,000	1,000,000	\$500,000
On conversion of the claims to a mining lease		\$500,000	3,000,000	-
		\$1,075,000	6,000,000	\$1,050,000

On commencement of commercial production, a 2% net smelter returns royalty will be payable to the optionor. The Company retains the option to purchase one-half of the net smelter return (being 0.5 of the 2%) for the sum of \$3,000,000.

On 15 November, 2021, the Company closed its non-arm's-length disposition of certain nickel claims to Surge. The Company entered into an option agreement with Surge dated 7 July 2021, whereby Surge may earn an undivided 80% interest in the HN4 and N100 nickel group of claims, located in Northern British Columbia.

As consideration for the transaction, the Company received 5,000,000 shares of Surge and Surge shall incur an aggregate of \$200,000 in exploration expenditures on the property on or before two years from the date of the agreement (Note 5).

In connection with this transaction, the Company recorded a loss on disposals of exploration and evaluation properties of \$1,751,808 (2021 - \$Nil) during the year ended 30 June 2022, short term investments of \$250,000 as at 30 June 2022 (2021 - \$Nil), and loss on change of the fair value of short-term investment of \$825,000 (Notes 5 and 14).

As at 30 June 2022, the Company had a \$35,000 bond for exploration and reclamation activities on the Nickel Project (2021 - \$35,000).

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7. RIGHT-OF-USE ASSET

On adoption of IFRS 16, the Company identified its office rental agreement as a lease containing a right-of-use asset (“ROU asset”), and has elected to record the value of the ROU asset based on the corresponding lease liability (Note 9). On transition to IFRS 16, the Company elected to use the current term of the office lease as the lease term. The lease liability was measured at the present value of the estimated remaining lease payments and discounted using the Company’s incremental borrowing rate as of 1 July 2019, which is 4.29%. During the year ended 30 June 2022, the lease term ended.

On 28 February 2022, the Company and the landlord agreed to extend the term of the existing lease for one year commencing on 1 June 1 2022 and ending on 31 May 2023. Due to its period being within one year, rent fees are expensed as incurred.

The changes in the Company’s ROU asset for the year ended 30 June 2022 are as follows:

	30 June 2022
	\$
Balance at 1 July 2021	21,017
Depreciation for the period	(21,017)
Balance at 30 June 2022	-

The changes in the Company’s ROU asset for the year ended 30 June 2021 were as follows:

	30 June 2021
	\$
Balance at 1 July 2020	43,304
Depreciation for the year	(22,287)
Balance at 30 June 2021	21,017

8. TRADE AND OTHER PAYABLES

The Company’s trade payables and accrued liabilities are as follows:

	30 June 2022	30 June 2021
	\$	\$
Trade payables (Note 14)	1,483	14,020
Accrued liabilities	20,000	20,000
Total trade and other payables	21,483	34,020

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9. LEASE LIABILITY

On adoption of IFRS 16, the Company identified its office rental agreement as a lease containing a ROU asset (Note 7), and recognized a corresponding lease liability.

The changes in the Company's lease liability for the year ended 30 June 2022 are as follows:

	30 June 2022
	\$
Balance at 1 July 2021	21,859
Lease payments	(21,859)
Finance charge	-
Balance at 30 June 2022	-

The changes in the Company's lease liability for the year ended 30 June 2021 were as follows:

	30 June 2021
	\$
Balance at 1 July 2020	43,896
Lease payments	(23,408)
Finance charge	1,371
Balance at 30 June 2021	21,859
Less: current portion	(21,859)
Balance at 30 June 2021	-

During the year ended 30 June 2022, the lease term has ended and there is no remaining lease liability from the lease agreement.

On 28 February 2022, the Company and the landlord agreed to extend the term of the existing lease for one year commencing on 1 June 2022 and ending on 31 May 2023. Due to its period being within one year, rent fees are expensed as incurred.

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10. SHARE CAPITAL

10.1 Authorized share capital

The Company has authorized an unlimited number of common shares with no par value.

As at 30 June 2022, the Company had 72,309,153 common shares outstanding (2021 – 69,479,153 common shares).

10.2 Common shares issuances

a) Private Placements

There were no private placements during the year ended 30 June 2022.

On 29 September 2020, the Company issued 20,000,000 units at a price of \$0.05 per unit for gross proceeds of \$1,000,000. Each unit consists of one common share and one non-transferrable share purchase warrant. Each full warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.06 per share for five years. Finder's fees in the amount of 1,850,000 common shares with a fair value of \$92,500 and 925,000 share purchase warrants were paid in connection with the private placement. The finders' warrants have the same terms as the private placement warrants. These warrants were calculated to have a fair value of \$105,923 using the Black-Scholes option pricing model with the following assumptions:

- Risk-free interest rate 0.35%
- Expected term (in years) 5
- Estimated dividend yield 0%
- Weighted-average estimated volatility 164%

On 29 December 2020, the Company issued 4,000,000 flow-through units ("FT Units") at a price of \$0.13 per FT Unit for gross proceeds of \$520,000. Each FT Unit consists of one flow-through common share and one share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.15 per share for a period of three years. Finders' fees totaling \$7,425 in cash and 57,120 finder warrants were paid in connection with the financing. The finders' warrants have the same terms as the private placement warrants. These finders' warrants had a fair value of \$14,163 using the Black-Scholes Option Pricing Model with the following assumptions:

- Risk-free interest rate 0.25%
- Expected term (in years) 3
- Estimated dividend yield 0%
- Weighted-average estimated volatility 162%

b) Exercise of Share Purchase Warrants

During the year ended 30 June 2022, the Company issued 1,150,000 common shares related to the exercise of 1,100,000 share purchase warrants at an exercise price of \$0.06 and 50,000 share purchase warrants at an exercise price of \$0.15.

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10. SHARE CAPITAL (continued)

10.2 Common shares issuances (continued)

During the year ended 30 June 2021, the Company issued 24,345,000 common shares related to the exercise of 4,520,000 share purchase warrants at an exercise price of \$0.10 and 19,825,000 share purchase warrants at an exercise price of \$0.06.

c) Exercise of Stock Options

During the year ended 30 June 2022, the Company issued 1,230,000 common shares related to the exercise of 730,000 stock options at an exercise price of \$0.075 and 500,000 stock options at an exercise price of \$0.05.

During the year ended 30 June 2021, the Company issued 2,700,000 common shares related to the exercise of 2,700,000 stock options at an exercise price of \$0.05.

d) Mineral property acquisition

On 20 October 2020, the Company issued 75,000 common shares with a fair value of \$10,125 as part of the initial payment relating to the property option agreement to acquire the Klone Group of mineral claims. In addition, the Company issued 100,000 common shares with a fair value of \$13,500 as a finder's fee in relation to that property option agreement (Note 6).

During the year ended 30 June 2021, the Company issued 5,000,000 common shares with a fair value of \$2,250,000 to John Malcolm Bell as part of the agreement of purchase and sale for two nickel exploration projects. The Company also issued 450,000 common shares with a fair value of \$121,500 to Kelly Funk in relation to the Option Agreement that allowed the Company to expand the nickel exploration project. In addition, the Company issued 500,000 common shares with a fair value of \$225,000 as a finder's fee in relation to the purchase of these nickel exploration projects (Note 6).

During the year ended 30 June 2022, the Company issued 450,000 common shares with a fair value of \$69,750 in relation to the first anniversary of the option agreement for Kelly Funk (Note 6).

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10.3 Share Purchase Warrants

The following is a summary of the changes in the Company's share purchase warrants for the years ended 30 June 2022 and 2021:

	2022		2021	
	Number of warrants	Weighted-average exercise price	Number of warrants	Weighted-average exercise price
Outstanding, beginning of year	5,157,120	\$ 0.13	5,545,000	\$ 0.11
Granted	-	-	24,982,120	0.07
Exercised	(1,150,000)	0.06	(24,345,000)	0.07
Expired	-	-	(1,025,000)	0.16
Outstanding, 30 June	4,007,120	0.15	5,157,120	0.13

The following table summarizes information regarding warrants outstanding and exercisable as at 30 June 2022:

Expiry date	Number of warrants outstanding	Number of warrants exercisable	Weighted-average remaining contractual life (years)	Weighted-average exercise Price
29 December 2023	4,007,120	4,007,120	1.50	\$ 0.15
Total	4,007,120	4,007,120	1.50	0.15

10.4 Stock options

Effective 29 September 2016, the Company adopted a stock option plan whereby it is authorized to grant options to executive officers and directors, employees and/or consultants enabling them to acquire up to 20% of the issued and outstanding common stock of the Company. The aggregate maximum number of common shares issuable under the plan is 14,461,830 common shares. The aggregate number of options granted to one optionee in a 12-month period is limited to 5% of the issued common shares of the Company.

The exercise price of any options granted under the plan will be determined by the Board of Directors, at its sole discretion, but shall not be less than the last closing price of the Company's common shares on the day before the date on which the Directors grant such options.

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10. SHARE CAPITAL (continued)

10.4 Stock options (continued)

The following is a summary of the changes in the Company's stock option activities for the years ended 30 June 2022 and 2021:

	30 June 2022		30 June 2021	
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
		\$		\$
Outstanding, beginning of year	2,030,000	0.059	797,500	0.174
Granted	-	-	4,000,000	0.050
Exercised	(1,230,000)	0.065	(2,700,000)	0.050
Cancelled	(250,000)	0.050	(67,500)	1.245
Outstanding, end of year	550,000	0.050	2,030,000	0.059

On 17 September 2020, the Company granted 4,000,000 stock options to consultants, directors and officers of the Company. These stock options have an exercise price of \$0.05 per share and expire on 17 September 2025. The fair value of these options was determined as \$252,080 using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	0.36%
Expected term (in years)	5
Estimated dividend yield	0%
Weighted-average estimated volatility	188.49%

The weighted average stock price at the time the stock options were exercised was \$0.14 (2021 – \$0.68).

The following table summarizes information regarding stock options outstanding and exercisable as at 30 June 2022:

Expiry date	Number of options outstanding	Number of options exercisable	Weighted-average remaining contractual life (years)	Weighted-average exercise Price
17 September 2025	550,000	550,000	3.22	0.05
Total	550,000	550,000	3.22	0.05

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10. SHARE CAPITAL (continued)

10.5 Reserves

The reserve records items recognized as stock based compensation expense and other share-based payments.

11. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the following data:

	Year ended 30 June 2022	Year ended 30 June 2021
Net loss for the year	\$ (3,021,247)	\$ (2,078,265)
Weighted average number of shares – basic and diluted	71,342,578	39,690,085
Loss per share, basic and diluted	(0.042)	(0.052)

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. All of the stock options and share purchase warrants were anti-dilutive for the years ended 30 June 2022 and 2021.

12. FINANCIAL INSTRUMENTS

12.1 Categories of financial instruments

	30 June 2022	30 June 2021
FINANCIAL ASSETS	\$	\$
FVTPL		
Cash	502,109	1,301,655
Short-term investment	250,000	-
Amortized Cost		
Amounts receivable	13,336	13,336
Total financial assets	765,445	1,314,991
FINANCIAL LIABILITIES		
Other liabilities, at amortized cost		
Trade payables	1,483	14,020
Total financial liabilities	1,483	14,020

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12. FINANCIAL INSTRUMENTS (continued)

12.2 Fair value

The fair value of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The Company considers that the carrying amount of all its financial assets and financial liabilities recognized at amortized cost in the consolidated financial statements approximates their fair value due to the demand nature or short term maturity of these instruments.

The following table provides an analysis of the Company's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

As at 30 June 2022	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets at fair value				
Cash	502,109	-	-	502,109
Short-term investment	250,000	-	-	250,000
Total financial assets at fair value	752,109	-	-	752,109

As at 30 June 2021	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets at fair value				
Cash	1,301,655	-	-	1,301,655
Total financial assets at fair value	1,301,655	-	-	1,301,655

There were no transfers between Level 1 and 2 and 3 in the years ended 30 June 2022 and 2021.

12.3 Management of financial risks

The financial risk arising from the Company's operations are credit risk, liquidity risk, interest rate risk and currency risk. These risks arise from the normal course of operations and all transactions undertaken are to support the Company's ability to continue as a going concern. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

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12. FINANCIAL INSTRUMENTS (continued)

12.3 Management of financial risks (continued)

Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

Financial instruments that potentially subject the Company to credit risk consist of cash. The Company deposits cash with high credit quality financial institutions as determined by rating agencies. As a result, the Company is not subject to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they become due (Note 1.1). The Company's liquidity and operating results may be adversely affected, if its access to the capital market is hindered. The Company has no source of revenue and has obligations to meet its administrative overheads, maintain its mineral investments and to settle amounts payable to its creditors. The Company has been successful in raising equity financing in the past; however, there is no assurance that it will be able to do so in the future. As at 30 June 2022, the Company had working capital of \$798,765 (2021 – \$1,294,871) (Note 1.1).

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have financial instruments that are impacted by interest rate changes. Interest rate risk is assessed as minimal.

Currency Risk

The Company is exposed to currency risk by incurring certain expenditures and holding assets denominated in currencies other than the Canadian dollar. The Company does not use derivative instruments to reduce its currency risk. Assuming all other variables remain constant, a 1% change in the Canadian dollar against the US dollar would not result in a significant change to the Company's operations.

Commodity price risk

The Company is not exposed to commodity price risk as it is still in exploration stage.

13. CAPITAL RISK MANAGEMENT

The Company's objectives are to safeguard the Company's ability to continue as a going concern in order to support the Company's normal operating requirements.

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13. CAPITAL RISK MANAGEMENT (continued)

The Company is dependent on external financing to fund its activities. In order to carry out its planned business strategy, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

As at 30 June 2022, the Company's capital structure consists of the equity of the Company (Note 10). The Company is not subject to any externally imposed capital requirements. In order to maximize ongoing development efforts, the Company does not pay dividends.

There were no significant changes in the Company's approach or the Company's objectives and policies for managing its capital.

As at 30 June 2022, the Company's available capital resources, consisting of cash, totaled \$502,109 (2021 – \$1,301,655). As at 30 June 2022, the Company's total payables are \$21,483 (2021 – \$34,020). The Company has been successful in raising equity financing in the past; however, there is no assurance that it will be able to do so in the future.

14. RELATED PARTY TRANSACTIONS

For the years ended 30 June 2022 and 2021, the Company had related party transactions with the following company related by way of management, directors or shareholders in common:

- Surge with officers in common.

As at 30 June 2022, included in amounts receivable is a balance of \$13,336 (2021 – \$13,336) due from Surge:

As at	30 June 2022	30 June 2021
	\$	\$
Surge Battery Metals Inc.	13,336	13,336
Amounts receivable	13,336	13,336

As at 30 June 2022, included in accounts payable is a balance of \$Nil (2021 – \$504) due to related parties as follows:

As at	30 June 2022	30 June 2021
	\$	\$
Chief Financial Officer	-	504
Total trade payable (Note 8)	-	504

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14. RELATED PARTY TRANSACTIONS (continued)

14.1 Related party expenses

The Company's related party expenses are summarized as follows:

	Year ended 30 June 2022	Year ended 30 June 2021
Consulting fees to:	\$	\$
Chief Executive Officer	24,000	26,135
Chief Financial Officer	51,000	47,000
Chief Operating Officer	-	8,000
Corporate Secretary	63,000	75,122
A former director	-	184,540
Total related party expenses	138,000	340,797

14.2 Short-term investment

During the year ended 30 June 2022, the Company acquired an investment of shares of Surge. As at 30 June 2022, the Company had short-term investment of \$250,000 (2021 – \$Nil). During the year ended June 30, 2022, a total of \$825,000 is recognized as loss on change of the fair value of short term investment (Notes 5, 6, and 12).

15. KEY MANAGEMENT PERSONNEL COMPENSATION

The remuneration of directors and other members of key management for the three months and years ended 30 June 2022 and 2021 were as follows:

	Year ended 30 June 2022	Year ended 30 June 2021
	\$	\$
Short-term benefits – management and consulting fees	138,000	340,797
Total key management personnel compensation	138,000	340,797

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16. COMMITMENTS AND CONTINGENCIES

As at 30 June 2022, the Company had the following commitments and contingent liabilities:

- a) The Company's exploration and evaluation 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. The Company conducts its operations so as to protect public health and the environment and believes its operations 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.
- b) As at 30 June 2022, the Company owns various exploration and evaluation properties (Note 6). Management does not consider that any amounts related to decommissioning liabilities are payable although there is no assurance that a formal claim will not be made against the Company for some or all of these obligations in the future.
- c) On 28 February 2022, the Company extended the lease for its office space. The term was extended for one year from 1 June 2022 and ending on 31 May 2023. As at the year ended, the estimated remaining commitment from the contract is \$23,048.

17. SEGMENTED INFORMATION

The Company's only business activity is exploration and development of exploration and evaluation properties. This activity is carried out in Canada and the USA.

The breakdown of geographic area for the years ended 30 June 2022 and 2021 are as follows:

2022	Canada	USA	Total
	\$	\$	\$
Net loss	(3,021,247)	-	(3,021,247)
Current assets	820,248	-	820,248
Reclamation bond	35,000	-	35,000
Exploration and evaluation properties	646,044	189,777	835,821
Total assets	1,501,292	189,777	1,691,069

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17. SEGMENTED INFORMATION (continued)

2021	Canada	USA	Total
	\$	\$	\$
Net loss	(2,078,265)	-	(2,078,265)
Current assets	1,350,750	-	1,350,750
Reclamation bond	35,000	-	35,000
Exploration and evaluation properties	2,953,075	163,870	3,116,945
ROU asset	21,017	-	21,017
Total assets	4,359,842	163,870	4,523,712

18. TAXES

18.1 Provision for income taxes

	Year ended 30 June 2022	Year ended 30 June 2021
	\$	\$
Loss before tax	(3,021,247)	(2,078,265)
Statutory tax rate	27%	27%
Expected tax recovery	(815,737)	(561,132)
Non-deductible items	221,558	121,932
Change in unrecognized deductible temporary differences	594,179	439,200
Tax recovery for the year	-	-

18.2 Deferred tax balances

	Year ended 30 June 2022	Year ended 30 June 2021
	\$	\$
Tax loss carry-forwards	1,390,702	1,279,433
Share issue costs	3,147	5,492
Investments	222,750	-
Mineral properties	438,927	176,422
Total deferred tax assets	2,055,526	1,461,347
Less: Unrecognized deferred tax assets	(2,055,526)	(1,461,347)
Net deferred tax assets	-	-

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18. TAXES (continued)

18.3 Expiry dates

At 30 June 2022, the Company had capital losses in Canada totaling \$Nil that may be carried forward indefinitely, cumulative exploration and development expenses of \$2,461,478, and a non-capital loss carry forward of \$5,150,748 available for tax purposes in Canada which expires as follows:

	As at 30 June 2022
	\$
Non-capital losses	
2034	81,536
2035	189,887
2036	635,899
2037	690,353
2039	682,298
2040	646,083
2041	1,853,192
2042	371,500
Total non-capital losses	5,150,748

19. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company for the year ended 30 June 2022 were approved and authorized for issue by the Board of Directors on 6 October 2022.