

**Financial Statements**

**December 31, 2022 and 2021**



*(Expressed in Canadian Dollars)*

To the Shareholders of Purepoint Uranium Group Inc.:

## Opinion

We have audited the financial statements of Purepoint Uranium Group Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2022 and December 31, 2021, and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and December 31, 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 audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits 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.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

## Other Information

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

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

In connection with our audits 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 audits 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 on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the 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 Consolidated 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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 Andrew Kevin Spidle.

Mississauga, Ontario

February 28, 2023

*MNP LLP*

Chartered Professional Accountants

Licensed Public Accountants

|  | <u>2022</u>      | <u>2021</u>      |
|--|------------------|------------------|
|  | \$               | \$               |
| <b>Assets</b>  |                  |                  |
| <b>Current assets</b>  |                  |                  |
| Cash   | 3,925,659        | 4,275,570        |
| Accounts receivable  | 162,119          | 126,218          |
| Receivable from projects (note 5)                              | 36,559           | -                |
| Prepaid expenses   | 83,062           | 107,343          |
| Deposits (note 7)  | 275,647          | 51,362           |
|  | <u>4,483,046</u> | <u>4,560,493</u> |
| <b>Property, equipment and<br/>Right of use asset (note 3)</b> | 994              | 36,146           |
|  | <u>4,484,040</u> | <u>4,596,639</u> |
| <b>Liabilities</b>   |                  |                  |
| <b>Current liabilities</b>                                     |                  |                  |
| Accounts payable and accrued liabilities                       | 90,284           | 328,796          |
| Advances on projects (note 5)                                  | -                | 56,140           |
| Current portion of lease liability (note 6)                    | -                | 41,388           |
| Deferred premium on flow-through shares (note 8(a))            | -                | 205,714          |
|  | <u>90,284</u>    | <u>632,038</u>   |
| <b>Shareholders' equity</b>                                    |                  |                  |
| Share capital (note 8(a))                                      | 46,018,773       | 41,980,262       |
| Contributed surplus  | 15,148,193       | 12,404,406       |
| Deficit  | (56,773,210)     | (50,420,067)     |
|  | <u>4,393,756</u> | <u>3,964,601</u> |
|  | <u>4,484,040</u> | <u>4,596,639</u> |

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

**Approved by the Board**

signed: "Borys Chabursky"

signed: "Allan Beach"

|   | <u>2022</u>        | <u>2021</u>        |
|---|--------------------|--------------------|
|   | \$                 | \$                 |
| <b>Expenses</b>   |                    |                    |
| Mining exploration and evaluation expenditures (notes 3 and 4)    | 4,676,147          | 3,692,173          |
| Mining exploration and evaluation salaries and benefits (note 14) | 575,137            | 521,102            |
| Share-based payments (notes 9 and 14)                             | 376,912            | 1,342,069          |
| Salaries, compensations and benefits (note 14)                    | 243,200            | 218,300            |
| Investor relations  | 466,308            | 403,961            |
| Professional fees   | 267,254            | 133,132            |
| General and administration  | 30,511             | 29,787             |
| Insurance   | 42,867             | 42,182             |
| Transfer agent and filing fees                                    | 105,309            | 78,231             |
| Travel  | 24,314             | 5,087              |
| Depreciation (note 3)   | 458                | 913                |
|   | <u>6,808,417</u>   | <u>6,466,937</u>   |
| <b>Other</b>  |                    |                    |
| Operator fees and other recoveries (note 5)                       | (202,676)          | (340,038)          |
| Interest income   | (46,884)           | (5,305)            |
| Premium on a flow-through shares                                  | (205,714)          | -                  |
|   | <u>(455,274)</u>   | <u>(345,343)</u>   |
| <b>Net loss and comprehensive loss</b>                            | <u>(6,353,143)</u> | <u>(6,121,594)</u> |
| <b>Basic and diluted loss per common share (note 11)</b>          | <u>(0.02)</u>      | <u>(0.02)</u>      |
| <b>Weighted average number of shares (note 11)</b>                | 364,723,523        | 311,240,146        |

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

**Statements of Changes in Equity**  
For the years ended December 31, 2022 and 2021  
(Expressed in Canadian Dollars)

|   | Share capital      |                   | Contributed surplus | Deficit             | Equity total     |
|---|--------------------|-------------------|---------------------|---------------------|------------------|
|   | Number of shares   | Amount            |                     |                     |                  |
|   |                    | \$                | \$                  | \$                  | \$               |
| Balance at January 1, 2022                      | 343,351,111        | 41,980,262        | 12,404,406          | (50,420,067)        | 3,964,601        |
| Issuance of common shares                       |                    |                   |                     |                     |                  |
| from private placements                         | 73,643,857         | 6,905,140         | -                   | -                   | 6,905,140        |
| Fair value of issued warrants                   |                    |                   |                     |                     |                  |
| from private placements                         | -                  | (2,149,244)       | 2,149,244           | -                   | -                |
| Fair value of finders fee                       |                    |                   |                     |                     |                  |
| compensation warrants                           | -                  | (258,112)         | 258,112             | -                   | -                |
| Expenses of the private placements              | -                  | (542,710)         | -                   | -                   | (542,710)        |
| Exercise of warrants and options (note 8(a))    | 537,320            | 42,956            | -                   | -                   | 42,956           |
| Fair value of exercised warrants and options    | -                  | 40,481            | (40,481)            | -                   | -                |
| Share-based payment (notes 9 and 14)            | -                  | -                 | 376,912             | -                   | 376,912          |
| Net loss  | -                  | -                 | -                   | (6,353,143)         | (6,353,143)      |
| <b>Balance at December 31, 2022 (note 8(a))</b> | <b>417,532,288</b> | <b>46,018,773</b> | <b>15,148,193</b>   | <b>(56,773,210)</b> | <b>4,393,756</b> |
| Balance at January 1, 2021                      | 267,378,228        | 36,868,260        | 9,469,207           | (44,298,473)        | 2,038,994        |
| Issuance of common shares                       |                    |                   |                     |                     |                  |
| from private placements                         | 62,262,516         | 6,415,070         | -                   | -                   | 6,415,070        |
| Fair value of issued warrants                   |                    |                   |                     |                     |                  |
| from private placements                         | -                  | (1,641,060)       | 1,641,060           | -                   | -                |
| Fair value of finders fee                       |                    |                   |                     |                     |                  |
| compensation warrants                           | -                  | (288,800)         | 288,800             | -                   | -                |
| Premium on flow-through shares                  |                    |                   |                     |                     |                  |
| from private placements (note 8(a))             | -                  | (205,714)         | -                   | -                   | (205,714)        |
| Expenses of the private placements              | -                  | (616,647)         | -                   | -                   | (616,647)        |
| Exercise of warrants and options (note 8(a))    | 13,710,367         | 1,112,423         | -                   | -                   | 1,112,423        |
| Fair value of exercised warrants and options    | -                  | 336,730           | (336,730)           | -                   | -                |
| Share-based payments (notes 9 and 14)           | -                  | -                 | 1,342,069           | -                   | 1,342,069        |
| Net loss  | -                  | -                 | -                   | (6,121,594)         | (6,121,594)      |
| <b>Balance at December 31, 2021 (note 8(a))</b> | <b>343,351,111</b> | <b>41,980,262</b> | <b>12,404,406</b>   | <b>(50,420,067)</b> | <b>3,964,601</b> |

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

|  | <u>2022</u>        | <u>2021</u>        |
|--|--------------------|--------------------|
|  | \$                 | \$                 |
| <b>Cash flow from operating activities</b>                   |                    |                    |
| Net loss for the year  | (6,353,143)        | (6,121,594)        |
| Items not affecting cash:                                    |                    |                    |
| Depreciation   | 35,152             | 35,684             |
| Interest on lease liability                                  | 3,185              | 8,539              |
| Premium on flow-through shares                               | (205,714)          | -                  |
| Share-based payments   | 376,912            | 1,342,069          |
|  | <u>(6,143,608)</u> | <u>(4,735,302)</u> |
| Changes in non-cash items relating to operating activities:  |                    |                    |
| Accounts receivable  | (35,901)           | (101,574)          |
| Prepaid expenses   | 24,281             | (59,173)           |
| Deposits   | (224,285)          | (19,000)           |
| Accounts payable and accrued liabilities                     | (238,512)          | 253,918            |
| Receivables (advances) from joint venturers, net             | (92,699)           | (270,808)          |
|  | <u>(6,710,724)</u> | <u>(4,931,939)</u> |
| <b>Cash flow from financing activities</b>                   |                    |                    |
| Proceeds from exercise of options and warrants, net of costs | 42,956             | 1,112,423          |
| Proceeds from issuance of shares, net of costs               | 6,362,430          | 5,798,423          |
| Amount paid on lease liability                               | (44,573)           | (44,574)           |
|  | <u>6,360,813</u>   | <u>6,866,272</u>   |
| <b>Net (decrease) increase in cash</b>                       | (349,911)          | 1,934,333          |
| <b>Cash - Beginning of the year</b>                          | <u>4,275,570</u>   | <u>2,341,237</u>   |
| <b>Cash - End of the year</b>                                | <u>3,925,659</u>   | <u>4,275,570</u>   |

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



## **1. GENERAL INFORMATION**

Purepoint Uranium Group Inc. ("the Company") is a Canadian resource company engaged in the acquisition, exploration and development of properties for the purpose of producing uranium. The Company's principal assets are mineral properties located in Saskatchewan. The ability of the Company to realize the costs it has incurred to date on these and other properties is dependent upon the discovery of economically recoverable reserves, the preservation of the Company's interest in the underlying mining claims, the ability to continue to raise adequate financing and to commence profitable operations in the future, or alternatively, upon the disposal of properties, or the Company's interests therein, on an advantageous basis.

The Company's head office is located at 120 Adelaide Street West, Suite 2500, Toronto, Ontario, M5H 1T1, Canada.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **(a) Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC"). The accounting policies set out below were consistently applied to all periods presented in these financial statements.

These financial statements were reviewed, approved and authorized for issuance by the Board of Directors (the "Board") of the Company on February 28, 2023.

### **(b) Basis of preparation**

The financial statements are presented in Canadian dollars. The financial statements are prepared on the historical cost basis.

### **(c) Share-based payments**

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. The fair value of the stock options granted is measured at grant date and each tranche is recognized on a graded basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense for unvested options is adjusted to reflect the actual number of share options that are expected to vest.

## 2. SIGNIFICANT ACCOUNTING POLICIES – continued

### (d) Income taxes

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

### Estimates income taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

### (e) Flow-through shares

The Company will, from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into:

- i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and
- ii) share capital.

Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

**2. SIGNIFICANT ACCOUNTING POLICIES – continued**

**(e) Flow-through shares - continued**

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resources property exploration expenditures. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

**(f) Property, equipment and right of use asset**

Property and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statements of loss and comprehensive loss. Where an item of property and equipment comprises major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

The Company provides for depreciation of its property and equipment at the following methods and annual rates:

|  |   |
|--|---|
| Exploration field property and equipment | 20% declining balance   |
| Exploration furniture and equipment      | 20% declining balance   |
| Office furniture and fixtures            | Straight line over 5 years  |
| Right of use assets                      | Straight line over the shorter of the estimated useful life of the asset and the lease term |

**(g) Mining properties and exploration and evaluation costs**

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 expensed as incurred except for expenditures associated with the acquisition of the exploration and evaluation assets through a business combination or asset acquisition which are recognized as assets. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

## **2. SIGNIFICANT ACCOUNTING POLICIES – continued**

### **(h) Impairment of non-financial assets**

At the end of each reporting period, the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### **(i) Financial assets and liabilities**

IFRS 9 – Financial Instruments (“IFRS 9”) includes guidance on the classification, measurement and impairment of financial assets and hedge accounting. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through profit or loss (“FVTPL”) or fair value through other comprehensive income (“FVOCI”) based on the business model in which they are held and the characteristics of their contractual cash flows.

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- i) It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss, and
- ii) its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the statements of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the statements of loss and comprehensive loss for the period. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

## 2. SIGNIFICANT ACCOUNTING POLICIES – continued

### (i) Financial assets and liabilities

#### Financial assets

All financial assets are recognized initially at fair value plus, in the case of investments not at FVTPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instruments.

Where fair values of financial assets recorded on the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values.

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

#### i) Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss.

#### ii) Financial assets recorded at amortized cost

Financial assets classified as amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

The Company's cash and accounts receivable, excluding HST, are classified as financial assets measured at amortized cost.

#### iii) Financial assets recorded at FVTOCI

Financial assets are recorded at FVTOCI when the change in fair value is attributable to changes in the Company's credit risk.

#### *Derecognition*

A financial asset is derecognized when the contractual rights to the cash flows from the asset expired, or the Company transfers substantially all the risks and rewards of ownership of the asset.

#### *Impairment of financial assets*

The impairment model under IFRS 9 is applicable to financial assets measured at amortized cost where any expected future credit losses are provided for, irrespective of whether a loss event has occurred as at the reporting date. The Company's only financial assets subject to impairment are amounts received which are measured at amortized cost. The Company has elected to apply the simplified approach on impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. 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. The Company has measured the lifetime expected credit losses taking into consideration historical credit loss experience and financial factors specific to debtors and other relevant factors.

**2. SIGNIFICANT ACCOUNTING POLICIES – continued****(i) Financial assets and liabilities – continued****Financial liabilities**

Non-derivative financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL as it is in the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVTPL.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

**i) Financial liabilities recorded at amortized cost**

Financial liabilities are measured at amortized cost, include borrowings, are initially measured at fair value, net of transaction cost. They are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or to the next carrying amount or initial recognition.

The Company's financial liabilities include accounts payable and accrued liabilities which are each measured at amortized cost.

**ii) Financial liabilities recorded at FVTPL**

Financial liabilities are classified as FVTPL if they do not fall into amortized cost detailed above.

***Financial liabilities at amortized cost***

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are integral part of the EIR. The EIR amortization is included in finance cost in the statements of loss and comprehensive loss.

***Derecognition***

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gains or losses reported in other income or expenses in the statements of loss and comprehensive loss.

**(j) Cash**

Cash consists of cash deposits in banks. The Company does not hold any asset backed commercial paper.

**(k) Short-term investments**

Short-term investments are comprised of liquid investments with an initial maturity greater than three months and maturing within one year of the reporting date.

**2. SIGNIFICANT ACCOUNTING POLICIES – continued****(l) Asset retirement obligations**

A provision is recognized in the statements of financial position 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. 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. The Company's asset retirement obligations arise from its obligations to undertake site reclamation and remediation in connection with its resource properties. The estimated costs of reclamation are based on current regulatory requirements and the estimated reclamation costs at the date of purchase. Future changes to those regulations and standards, as well as changes resulting from operations may result in actual reclamation costs differing from the estimate.

The Company has determined that there are no asset retirement obligations or any other environmental obligations with respect to its mineral properties, and therefore no liability has been recognized in these financial statements.

**(m) Jointly controlled asset**

The Company has an interest in a jointly controlled asset in an unincorporated joint venture. The Company recognizes its share of mining exploration and evaluation expenditure related to the asset in the profit or loss.

**(n) Interest income**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

**(o) Leases**

At the inception of a contract, to determine if it contains a lease, the Company assesses whether it conveys the right to control and obtain substantially all of the economic benefits of an identified asset, for a period of time, in exchange for consideration. Where a contract contains a lease, the Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is measured at cost less any accumulated depreciation and impairment losses and may be adjusted for any remeasurement of the lease liability. Cost is the amount of the initial lease liability plus any initial direct costs incurred and any lease payments made at or before the commencement date less any incentives received. The right-of-use assets are included in the cost of property and equipment on the statements of financial position. They are depreciated, in accordance with the Company's existing accounting policy, over the shorter of the term of the lease or the life of the asset. The lease liability is initially measured at the present value of future lease payments discounted at the interest rate implicit in the contract. If the implicit rate cannot be determined, the incremental borrowing rate over a similar term and with similar security for the funds necessary to obtain an asset of similar value in a similar economic environment is used.

**2. SIGNIFICANT ACCOUNTING POLICIES – continued****(o) Leases - continued**

The lease payments include fixed payments less any incentives receivable, variable lease payments that depend on an index or rate and amounts expected to be paid under residual value guarantees. Where the lease contains an extension or purchase option, the costs associated with the option are included if it is reasonably expected to be exercised by the Company. Thereafter, the amount of the lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of the lease liability is remeasured to reflect any modifications to the contract terms. Lease liabilities are presented as a component of debt on the statements of financial position. The Company has elected not to recognize right-of-use assets and lease liabilities for contracts that have a lease term of 12 months or less or are for the use of low value assets. These contracts are recognized as an expense in the statements of loss and comprehensive loss in the period the cost is incurred. In addition, for certain asset classes, the Company has elected to treat both lease and non-lease components as a single lease component for the purposes of applying IFRS 16.

**(p) Loss per share**

Basic loss per common share is calculated by dividing the loss attributed to shareholders for the year by the weighted average number of common shares outstanding in the year. Diluted loss per common share is calculated using the treasury stock method by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares.

**(q) Segment reporting**

A segment is a component of the Company that is distinguishable by economic activity (business segment), or by its geographical location (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company operates in one business segment, mineral exploration and one geographical segment, Canada.

**(r) Significant accounting judgments and estimates**

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods when the revision affects both current and future periods.

The most significant effect on the amounts recognized in these financial statements relates to assumptions used to determine (i) share based payments and (ii) pro rata allocation of private placements proceeds between common shares, share purchase warrants and flow through premium.

**(s) Accounting standards and amendments effective in the current year**

There were no new accounting standards effective January 1, 2022 that were applicable to the Company.



**2. SIGNIFICANT ACCOUNTING POLICIES – continued**

**(t) Accounting standards and interpretations not yet adopted**

The following standards and interpretations have been issued but are not mandatory for annual reporting periods beginning on January 1, 2022:

- Property, Plant and Equipment: Proceeds before intended use Amendments to IAS 16 - Effective period beginning on or after January 1, 2022.

Based on the assessment performed by management, none of the above noted amendments to the standards and interpretations are expected to have a material impact on the financial statements of the Company, therefore they have not been applied in preparing these financial statements.

**3. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSET**

| <b>Cost</b>                        | <b>January 1,<br/>2021</b> | <b>Additions<br/>in 2021</b>    | <b>December 31,<br/>2021</b> | <b>Additions<br/>in 2022</b>    | <b>December 31,<br/>2022</b> |
|------------------------------------|----------------------------|---------------------------------|------------------------------|---------------------------------|------------------------------|
| Exploration property and equipment |                            |                                 |                              |                                 |                              |
| Field property and equipment       | \$ 5,350                   | \$ -                            | \$ 5,350                     | \$ -                            | \$ 5,350                     |
| Furniture and equipment            | 28,373                     | -                               | 28,373                       | -                               | 28,373                       |
| Right of use assets                | 137,637                    | -                               | 137,637                      | -                               | 137,637                      |
| Office property and equipment      |                            |                                 |                              |                                 |                              |
| Furniture and fixtures             | 6,544                      | -                               | 6,544                        | -                               | 6,544                        |
|                                    | <u>\$ 177,904</u>          | <u>\$ -</u>                     | <u>\$ 177,904</u>            | <u>\$ -</u>                     | <u>\$ 177,904</u>            |
| <b>Accumulated depreciation</b>    | <b>January 1,<br/>2021</b> | <b>Depreciation<br/>in 2021</b> | <b>December 31,<br/>2021</b> | <b>Depreciation<br/>in 2022</b> | <b>December 31,<br/>2022</b> |
| Exploration property and equipment |                            |                                 |                              |                                 |                              |
| Field property and equipment       | \$ 4,417                   | \$ 186                          | \$ 4,603                     | \$ 149                          | \$ 4,752                     |
| Furniture and equipment            | 27,667                     | 177                             | 27,844                       | 133                             | 27,977                       |
| Right of use assets                | 68,817                     | 34,408                          | 103,225                      | 34,412                          | 137,637                      |
| Office property and equipment      |                            |                                 |                              |                                 |                              |
| Furniture and fixtures             | 5,173                      | 913                             | 6,086                        | 458                             | 6,544                        |
|                                    | <u>\$ 106,074</u>          | <u>\$ 35,684</u>                | <u>\$ 141,758</u>            | <u>\$ 35,152</u>                | <u>\$ 176,910</u>            |

**3. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSET - continued**

| Net book value                     | December 31,<br>2022 | December 31,<br>2021 |
|------------------------------------|----------------------|----------------------|
| Exploration property and equipment |                      |                      |
| Field property and equipment       | \$ 598               | \$ 747               |
| Furniture and equipment            | 396                  | 529                  |
| Right of use assets                | -                    | 34,412               |
| Office property and equipment      |                      |                      |
| Furniture and fixtures             | -                    | 458                  |
|                                    | <u>\$ 994</u>        | <u>\$ 36,146</u>     |

During 2022, \$34,694 (2021 - \$34,772) of depreciation expense was included in mining exploration and evaluation expenditures on the statements of loss and comprehensive loss.

**4. MINING EXPLORATION AND EVALUATION EXPENDITURES**

The Company's properties are all located at the Athabasca Basin, Northern Saskatchewan. The Company currently maintains thirteen properties. The Company entered into joint venture agreements and operates one of these projects with Cameco Corporation and Orano Canada Inc. (formerly AREVA Resources Canada Inc.), one of these projects with Cameco Corporation, while the other ten projects remain 100% owned. The Company also acquired 6 additional projects in 2021 through staking.

Mining exploration expenditures on the Company's properties during last two years are as follows:

|                           | 2022                | 2021                |
|---------------------------|---------------------|---------------------|
| Red Willow Property       | \$ 2,293,985        | \$ 1,110,287        |
| Hook Lake Property        | 53,059              | 289,951             |
| Smart Lake Property       | 4,269               | -                   |
| Turnor Lake Property      | 1,069,425           | 520                 |
| Umfireville Lake Property | 5,299               | 744,318             |
| Henday Lake Property      | 14,169              | 1,488,453           |
| Tabbemor Block            | 807,703             | -                   |
| Other Properties          | 428,238             | 58,644              |
|                           | <u>\$ 4,676,147</u> | <u>\$ 3,692,173</u> |

## **5. ADVANCES AND RECEIVABLES ON PROJECTS**

### **Joint Venture with Cameco and Orano**

On October 31, 2012, the Company entered into a definitive joint venture agreement with Cameco Corporation ("Cameco") and Orano Canada Inc. ("Orano", formerly Areva Resources Canada Inc.) for the ongoing exploration of Hook Lake uranium project in the Athabasca Basin (the "Project") and pursuant to the option agreement with Cameco from 2007. The Company holds a 21% interest in the Project. The remaining 79% is owned equally by Cameco and Orano. The Company acts as the Project operator for the Joint Venture and charges an administration fee of 10% of the invoiced Project costs incurred. In 2022, Cameco and Orano each funded their respective portions of the project by contributing \$81,602 (2021 - \$349,181) each for a total amount of \$163,204 (2021 - \$698,362). At December 31, 2022 the Company has receivable balance of \$36,559 (2021 - \$56,140 unspent advances balance) from Joint Venture partners. The advances and receivables are unsecured and non-interest bearing.

The administration fees are included in operator fees and other recoveries in the statements of loss and comprehensive loss.

### **Joint Venture with Cameco**

On January 1, 2010, the Company entered into a definitive joint venture agreement with Cameco for the ongoing exploration of the Smart Lake uranium project in the Athabasca Basin (the "Smart Lake Project"). The Company holds a 27% interest in the Smart Lake Project. The remaining 73% is owned by Cameco. The Company acts as the Project operator for the Joint Venture. At December 31, 2022, a receivable balance from Cameco was \$Nil (2021 - Nil).

## 6. LEASE LIABILITY

The lease liability is discounted at a rate of 13.95%.

|  | <u>2022</u>     | <u>2021</u>     |
|--|-----------------|-----------------|
| Lease liability at the beginning of the year | \$ 41,388       | \$ 77,423       |
| Add: Lease accretion                         | 3,185           | 8,539           |
| Less: Total lease payments                   | <u>(44,573)</u> | <u>(44,574)</u> |
| Lease liability at the end of the year       | -               | 41,388          |
| Less: Current portion                        | <u>-</u>        | <u>(41,388)</u> |
| Lease liability - long term                  | <u>\$ -</u>     | <u>\$ -</u>     |

The Company extended the lease of its office in Saskatoon for a further period of 3 years, from January 1, 2023 to December 31, 2025. The Company will recognize right-of-use asset and initial lease liability totalling \$105,679 as of January 1, 2023. The new lease liability has a term of 3 years and is discounted at a rate of 11.67%.

## 7. DEPOSITS

Deposits consist of last month rent for Saskatoon office and deficiency deposits for various properties. The deficiency deposits are held by the Province of Saskatchewan in lieu of exploration work performed. The deficiency deposits will be refunded once the exploration work is completed and required filings submitted and processed.

## 8. SHAREHOLDERS' EQUITY

### (a) Share capital

#### Authorized, issued and outstanding common shares

Authorized – unlimited number of common shares without par value.

Issued – 417,532,288 common shares at December 31, 2022 (2021 – 343,351,111).

On December 8, 2022, the Company closed a non-brokered private placement. In connection with the closing, the Company issued 48,642,857 flow-through units at a price of \$0.07 per unit for aggregate gross proceeds of \$3,405,000. Each flow-through unit consists of one common share in the capital of the Company issued on a "flow through" basis pursuant to the Income Tax Act (Canada) and one half (1/2) of a common share purchase warrant. Each whole warrant entitles its holder to purchase one common share in the capital of the Company at an exercise price of \$0.105 per share for a period of 24 months from the date of issuance.

## **8. SHAREHOLDERS' EQUITY - continued**

### **(a) Share Capital - continued**

#### **Authorized, issued and outstanding common shares – continued**

In connection with the closing of the private placement, the Company paid certain finders' fees consisting of, in aggregate, \$167,929 in cash and 2,398,984 non-transferable compensation warrants. Each compensation warrant entitles its holder to purchase one common share in the capital of the Company at an exercise price of \$0.07 per share for a period of 24 months after the closing date. The net proceeds of the private placement will be used for the exploration and advancement of the Company's projects in the Athabasca Basin, Saskatchewan. All securities issued in connection with the closing of the Private Placement are subject to a four-month hold period pursuant to the applicable securities laws with an expiry date of April 9, 2023.

The Company incurred aggregate cash costs of \$201,886 and compensation warrants were valued at \$138,146.

The net proceeds have been prorated to common shares and warrants in the unit based on their relative fair values with total value of \$885,762 being allocated to warrants.

The net proceeds from the sale of flow-through shares will be used for the exploration and advancement of the Company's projects in the Athabasca Basin in Saskatchewan and will be used to incur "Canadian exploration expenses" as defined in subsection 66.1(6) of the Income Tax Act and "flow through mining expenditures" as defined in subsection 127(9) of the Income Tax Act. Such proceeds will be renounced to the subscribers with an effective date not later than December 31, 2022, in the aggregate amount of not less than the total amount of gross proceeds raised from the issue of flow-through shares. All securities issued in connection with the closing of the private placement are subject to a four-month hold period pursuant to the applicable securities laws with an expiry date of April 9, 2023.

On April 14, 2022 the Company closed its brokered private placement with Red Cloud Securities Inc. In connection with the closing, the Company issued 25,001,000 flow-through units at a price of \$0.14 per unit for aggregate gross proceeds of \$3,500,140. Each flow-through unit consists of one common share in the capital of the Company issued on a "flow through" basis pursuant to the Income Tax Act (Canada) and one common share warrant. Each warrant entitles its holder to purchase one common share in the capital of the Company at an exercise price of \$0.20 per share for a period of 24 months from the date of issuance.

In connection with the closing of the private placement, the Company has paid Red Cloud cash commissions in the aggregate amount of \$210,008 and issued to Red Cloud 1,500,060 non-transferable compensation warrants, with each compensation warrant exercisable to purchase one common share of the Company at a price of \$0.14 per share for a term of 24 months following the closing date.

The Company incurred aggregate cash costs of \$340,824 and compensation warrants were valued at \$119,966.

The net proceeds have been prorated to common shares and warrants in the unit based on their relative fair values with total value of \$1,263,482 being allocated to warrants.

## 8. SHAREHOLDERS' EQUITY - continued

### (a) Share Capital - continued

#### Authorized, issued and outstanding common shares – continued

The net proceeds from the sale of flow-through shares will be used for the exploration and advancement of the Company's projects in the Athabasca Basin in Saskatchewan and will be used to incur "Canadian exploration expenses" as defined in subsection 66.1(6) of the Income Tax Act and "flow through mining expenditures" as defined in subsection 127(9) of the Income Tax Act. Such proceeds will be renounced to the subscribers with an effective date not later than December 31, 2022, in the aggregate amount of not less than the total amount of gross proceeds raised from the issue of flow-through shares. All securities issued in connection with the closing of the private placement were subject to a four-month hold period pursuant to the applicable securities laws and expired on August 15, 2022.

The Black-Scholes option pricing model was used to determine the fair value of the warrants and the compensation warrants using the following assumptions for the 2022 private placements:

|                           | April   | December |
|---------------------------|---------|----------|
| Share price on issue date | \$0.12  | \$0.065  |
| Expected dividend yield   | nil     | nil      |
| Expected volatility       | 157%    | 188%     |
| Risk-free interest rate   | 2.00%   | 3.50%    |
| Expected life             | 2 years | 2 years  |

On December 31, 2021 the Company closed the final tranche of the non-brokered private placement. Together with the first tranche of the private placement closed on December 15, 2021, the Company issued a total of 10,107,643 flow-through units for aggregate gross proceeds of \$1,415,070. Each flow-through unit consists of one common share in the capital of the Company issued on a "flow through" basis pursuant to the Income Tax Act (Canada) and one half of one common share purchase warrant. Each warrant entitles its holder to purchase one common share in the capital of the Company at an exercise price of \$0.20 per share for a period of 24 months from the date of issuance.

Together with the first tranche of the Private Placement, the Company paid finders' fees consisting of a total of \$81,004 in cash and issued a total of 578,601 non-transferrable compensation warrants. Each compensation warrant entitles its holder to purchase one common share in the capital of the Company at an exercise price of \$0.20 per share for a period of 24 months after the date of issuance. The Company incurred aggregate cash costs of \$100,673 and compensation warrants were valued at \$35,036.

The net proceeds have been prorated to common shares, warrants and deferred premium on flow-through shares based on their relative fair values with total value of \$254,556 being allocated to warrants and \$205,714 being premium on flow-through shares.

## **8. SHAREHOLDERS' EQUITY - continued**

### **(a) Share Capital - continued**

#### **Authorized, issued and outstanding common shares – continued**

All securities issued in connection with the first tranche closing of the private placement were subject to a four-month hold period pursuant to the applicable securities laws that expired on April 14, 2022 and all securities issued in connection with the final tranche closing of the private placement were subject to a four-month hold period pursuant to the applicable securities laws that expired on April 30, 2022.

On April 7, 2021 the Company closed its brokered private placement with Red Cloud Securities Inc. In connection with the closing, the Company issued 20,404,095 flow-through units at a price of \$0.105 per unit and 31,750,778 hard-dollar units at a price of \$0.09 per unit for aggregate gross proceeds of \$5,000,000. Each hard-dollar unit consists of one common share in the capital of the Company and one common share purchase warrant. Each flow-through unit consists of one common share in the capital of the Company issued on a "flow through" basis pursuant to the Income Tax Act (Canada) and one half of one warrant. Each warrant entitles its holder to purchase one common share in the capital of the Company at an exercise price of \$0.13 per share for a period of 24 months from the date of issuance.

In connection with the closing of the private placement, the Company has paid Red Cloud and a member of the selling group cash commissions in the aggregate amount of \$342,650 and issued to Red Cloud 3,569,174 non-transferrable compensation warrants with each compensation warrant exercisable to purchase one common share of the Company at a price of \$0.105 per share for a term of 24 months following the closing date. The Company incurred aggregate cash costs of \$515,974 and compensation warrants were valued at \$253,764.

The net proceeds have been prorated to common shares and warrants in the unit based on their relative fair values with total value of \$1,386,504 being allocated to warrants.

The net proceeds raised from the sale of units will be used for the exploration and advancement of the Company's projects in the Athabasca Basin in Saskatchewan and for general working capital purposes. The gross proceeds from the sale of flow-through shares will be used to incur "Canadian exploration expenses" as defined in subsection 66.1(6) of the Income Tax Act and "flow through mining expenditures" as defined in subsection 127(9) of the Income Tax Act. Such proceeds will be renounced to the subscribers with an effective date not later than December 31, 2021, in the aggregate amount of not less than the total amount of gross proceeds raised from the issue of flow-through shares.

All securities issued in connection with the closing of the private placement were subject to a four-month hold period pursuant to the applicable securities laws that expired on August 8, 2021.

**8. SHAREHOLDERS' EQUITY - continued**

**(a) Share Capital - continued**

**Authorized, issued and outstanding common shares – continued**

The Black-Scholes option pricing model was used to determine the fair value of the warrants and the compensation warrants using the following assumptions for the 2021 private placements:

|                           | <b>December 15</b> | <b>December 31</b> | <b>April 7</b> |
|---------------------------|--------------------|--------------------|----------------|
| Share price on issue date | \$0.09             | \$0.085            | \$0.11         |
| Expected dividend yield   | nil                | nil                | nil            |
| Expected volatility       | 160%               | 157%               | 138%           |
| Risk-free interest rate   | 1.00%              | 1.00%              | 1.10%          |
| Expected life             | 2 years            | 2 years            | 2 years        |

In connection with the issuance of flow-through shares in 2021, the Company renounced a total of \$3,557,500 of qualifying expenditures to the shareholders in 2021. Out of that amount \$2,257,500 was spent in 2021 and \$1,300,000 was spent in the first quarter of 2022.

In connection with the issuance of flow-through shares in 2022, the Company renounced a total of \$6,905,140 of qualifying expenditures to the shareholders on December 31, 2022. Out of that amount \$3,500,140 was spent in 2022 and a reminder of \$3,405,000 is the Company's commitment to fulfill until December 31, 2023.



**8. SHAREHOLDERS' EQUITY - continued**

**(b) Share purchase warrants**

On October 31, 2022 the Company received approval from the TSX Venture Exchange of the extension by six months of the expiry date of a total of 35,838,000 outstanding common share purchase warrants issued by the Company in connection with a private placement of flow-through units and common share units of the Company that were to expire on December 17, 2022. The new expiry date for these warrants is June 17, 2023. All other terms of the warrants, including the exercise price, will remain the same. Each warrant entitles the holder to acquire one common share in the capital of the Company at an exercise price of \$0.08.

The following common share purchase warrants were outstanding at December 31, 2022:

|                                | <b>Number of<br/>warrants</b> | <b>Exercise<br/>price</b> | <b>Expiry<br/>date</b> |
|--------------------------------|-------------------------------|---------------------------|------------------------|
| Common share purchase warrants | 41,702,826                    | 0.13                      | April 7, 2023          |
| Common share purchase warrants | 3,569,174                     | 0.105                     | April 7, 2023          |
| Common share purchase warrants | 35,838,000                    | 0.08                      | June 17, 2023          |
| Common share purchase warrants | 5,232,191                     | 0.20                      | December 15, 2023      |
| Common share purchase warrants | 400,232                       | 0.20                      | December 31, 2023      |
| Common share purchase warrants | 25,001,000                    | 0.20                      | April 14, 2024         |
| Common share purchase warrants | 1,500,060                     | 0.14                      | April 14, 2024         |
| Common share purchase warrants | 24,321,427                    | 0.105                     | December 8, 2024       |
| Common share purchase warrants | <u>2,398,984</u>              | 0.07                      | December 8, 2024       |
|                                | <u>139,963,894</u>            |                           |                        |

A summary of warrants outstanding as at December 31, 2022 and December 31, 2021 and changes during these years are presented below:

|                                | <b>2022</b>                   |  |                       | <b>2021</b>                   |  |                       |
|--------------------------------|-------------------------------|--|-----------------------|-------------------------------|--|-----------------------|
|                                | <b>Number of<br/>warrants</b> | <b>Weighted<br/>average<br/>exercise<br/>price</b> | <b>Fair<br/>value</b> | <b>Number of<br/>warrants</b> | <b>Weighted<br/>average<br/>exercise<br/>price</b> | <b>Fair<br/>value</b> |
| Balance, beginning of the year | 92,999,223                    | \$ 0.11  | \$ 2,836,904          | 54,395,167                    | \$ 0.08  | \$ 1,048,301          |
| Granted                        | 53,221,471                    | 0.15   | 2,407,356             | 51,154,423                    | 0.14   | 2,038,897             |
| Exercised and expired          | <u>(6,256,800)</u>            | 0.08   | <u>(155,414)</u>      | <u>(12,550,367)</u>           | 0.08   | <u>(250,294)</u>      |
| Balance, end of the year       | <u>139,963,894</u>            | \$ 0.13  | \$ 5,088,846          | <u>92,999,223</u>             | \$ 0.11  | \$ 2,836,904          |

**9. SHARE-BASED PAYMENTS – EMPLOYEE SHARE OPTION PLAN**

The Company has a stock option plan (the "Plan"). Under the Plan, the Company can grant options to directors, officers, employees and consultants for up to 10% of the total number of issued and outstanding shares. The exercise price of the options cannot be less than the closing price of the Company's shares on the trading day preceding the date of grant and the maximum term of any option cannot exceed five years. No option shall be exercisable for a period exceeding ten years from the date the option is granted and vesting limitations shall be determined by the Board at the time that such option is granted.

On May 13, 2022 the Company granted 6,350,000 stock options at an exercise price of \$0.07 per common share, vesting immediately. These options expire in five years from the date of grant.

On May 13, 2021 the Company granted 8,400,000 stock options at an exercise price of \$0.13 per common share, vesting immediately. These options expire in five years from the date of grant.

On December 29, 2021 the Company granted 5,800,000 stock options at an exercise price of \$0.095 per common share, 5,500,000 vested immediately, 150,000 vested on December 31, 2022 and 150,000 vesting on December 31, 2023. These options expire in five years from the date of grant.

Using the Black-Scholes pricing model, the weighted average fair value of options granted in 2022 and 2021 was estimated at \$376,912 and \$1,342,069, respectively. These amounts, net of estimated forfeitures, have been recognized as an expenses in the years ended December 31, 2022 and December 31, 2021, respectively, as the options vested immediately. The unvested, unamortized fair value balance of stock options granted amounted to \$Nil at December 31, 2022.

The following principal assumptions were used in applying the Black-Scholes option-pricing model for options granted in 2022 and 2021:

|                           | <u>May 2022</u> | <u>May 2021</u> | <u>December 2021</u> |
|---------------------------|-----------------|-----------------|----------------------|
| Share price on issue date | \$0.07          | \$0.13          | \$0.085              |
| Dividend rate             | 0%              | 0%              | 0%                   |
| Expected volatility       | 126%            | 128%            | 125%                 |
| Risk-free interest rate   | 1.75%           | 1.10%           | 1.00%                |
| Expected life             | 5 years         | 5 years         | 5 years              |

**9. SHARE-BASED PAYMENTS – EMPLOYEE SHARE OPTION PLAN - continued**

A summary of the status of the Plan as at December 31, 2022 and December 31, 2021, and changes during these years are presented below:

|                                | <b>2022</b>              |  | <b>2021</b>              |  |
|--------------------------------|--------------------------|--|--------------------------|--|
|                                | <b>Number of options</b> | <b>Weighted average exercise price</b> | <b>Number of options</b> | <b>Weighted average exercise price</b> |
| Balance, beginning of the year | 29,000,000               | \$ 0.09                                | 22,210,000               | \$ 0.08                                |
| Granted                        | 6,350,000                | 0.07                                   | 14,200,000               | 0.12                                   |
| Exercised and expired          | (2,800,000)              | 0.065                                  | (7,410,000)              | 0.10                                   |
| Balance, end of the year       | 32,550,000               | \$ 0.09                                | 29,000,000               | \$ 0.09                                |

As at December 31, 2022, the Company had stock options issued to directors, officers, employees and contractors of the Company outstanding and exercisable as follows:

| <b>Date of grant</b> | <b>Number of options</b> | <b>Number exercisable</b> | <b>Exercise price</b> | <b>Expiry date</b> |
|----------------------|--------------------------|---------------------------|-----------------------|--------------------|
| May 16, 2018         | 2,700,000                | 2,700,000                 | \$ 0.06               | May 16, 2023       |
| April 26, 2019       | 2,900,000                | 2,900,000                 | \$ 0.085              | April 26, 2024     |
| April 27, 2020       | 6,400,000                | 6,400,000                 | \$ 0.07               | April 27, 2025     |
| May 13, 2021         | 8,400,000                | 8,400,000                 | \$ 0.13               | May 13, 2026       |
| December 29, 2021    | 5,800,000                | 5,650,000                 | \$ 0.095              | December 29, 2026  |
| May 13, 2022         | 6,350,000                | 6,350,000                 | \$ 0.07               | May 13, 2027       |
|                      | 32,550,000               | 32,400,000                |                       |                    |

## 10. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2021 – 26.5%) to the effective tax rate is as follows:

|  | 2022           | 2021           |
|--|----------------|----------------|
| Net Income (Loss) before recovery of income taxes    | \$ (6,353,143) | \$ (6,121,594) |
| Expected income tax (recovery) expenses              | \$ (1,683,580) | \$ (1,622,220) |
| Share based compensation and non-deductible expenses | 100,120        | 355,550        |
| Premium on flow-through shares                       | (54,510)       | -              |
| Share issuance costs booked directly through equity  | (212,220)      | (239,950)      |
| Effect of flow-through renunciation                  | 1,272,040      | 997,990        |
| Change in tax benefits not recognized                | 578,150        | 508,630        |
| Income tax (recovery)                                | \$ -           | \$ -           |

### Deferred tax

The following table summarizes the components of the deferred tax:

|                            | 2022 | 2021       |
|----------------------------|------|------------|
| Deferred tax assets        |      |            |
| Capital lease obligation   | \$ - | \$ (9,120) |
| Subtotal of assets         | -    | (9,120)    |
| Deferred tax liabilities   |      |            |
| Right of use asset         | \$ - | \$ 9,120   |
| Subtotal of liabilities    | -    | 9,120      |
| Net deferred tax liability | \$ - | \$ -       |

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

**10. INCOME TAXES - continued**

**Unrecognized deferred tax assets**

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

|                          | <u>2022</u>  | <u>2021</u>  |
|--------------------------|--------------|--------------|
| Non capital losses       | \$ 9,312,822 | \$ 7,994,110 |
| Exploration expenditures | 10,201,854   | 9,750,710    |
| Share issuance costs     | 1,234,927    | 816,540      |
| Property and equipment   | 103,736      | 104,730      |
| Investment tax credits   | 67,850       | 67,850       |
| Capital lease obligation | -            | 6,980        |

The Canadian operating tax loss carried forward will expire as noted in the table below. The exploration expenditures, and property and equipment may be carried forward indefinitely. The share issuance and financing costs will be deducted for tax purposes over the next three years. Investment tax credits will expire between 2029 and 2033.

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 these benefits can be utilized.

The Company's Canadian operating non-capital income tax losses expire as follows:

| <u>Year</u> | <u>Non-capital Losses</u> |
|-------------|---------------------------|
| 2026        | \$ 412,670                |
| 2027        | 1,071,110                 |
| 2028        | 1,152,920                 |
| 2029        | 1,297,210                 |
| 2030        | 1,178,990                 |
| 2031        | 667,130                   |
| 2032        | 496,450                   |
| 2033        | 366,450                   |
| 2034        | 198,340                   |
| 2039        | 2,020                     |
| 2040        | 225,620                   |
| 2041        | 925,190                   |
| 2042        | 1,318,722                 |
|             | <u>\$ 9,312,822</u>       |

**11. LOSS PER SHARE**

**(a) Basic**

Basic loss per share is calculated by dividing the net loss by the weighted average number of common shares issued during the year.

|  | <u>2022</u>        | <u>2021</u>        |
|--|--------------------|--------------------|
| Loss attributable to common shareholders   | \$ (6,353,143)     | \$ (6,121,594)     |
| Weighted average common shares outstanding | <u>364,723,523</u> | <u>311,240,146</u> |
| Basic loss per common share                | <u>\$ (0.02)</u>   | <u>\$ (0.02)</u>   |

**(b) Diluted**

Diluted loss per common share has not been presented as this is anti-dilutive.

**12. FINANCIAL RISK MANAGEMENT**

**(a) Credit risk management**

The Company's credit risk is primarily attributable to accounts receivable (excluding HST). The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable (excluding HST) is remote.

**(b) Liquidity risk**

The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its capital, development and exploration expenditures. The Company ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

As of December 31, 2022, the Company had a cash totaling \$3,925,659 (2021 - \$4,275,570) to settle current accounts payable and accrued liabilities of \$90,284 (2021 - \$328,796).

**(c) 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 has no interest-bearing debt.

## **12. FINANCIAL RISK MANAGEMENT - continued**

### **(d) Commodity price risk**

The Company is exposed to price risk with respect to commodity and equity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The ability of the Company to develop its mining properties and the future profitability of the Company is directly related to the market price of uranium. The Company closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

### **(e) Fair value of financial assets and liabilities**

For cash, accounts receivable, excluding HST, and accounts payable and accrued liabilities and lease liability with a remaining life of less than one year, the carrying value amounts are equivalent to their fair values.

## **13. CAPITAL RISK MANAGEMENT**

The Company considers its capital structure to consist of share capital and contributed surplus. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its exploration, development and operations activities.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its mineral properties and maximize shareholder returns. The Company satisfies its capital requirements through careful management of its cash resources and by utilizing bank indebtedness or equity issues, as necessary, based on the prevalent economic conditions of both the industry and the capital markets and the underlying risk characteristics of the related assets. As at December 31, 2022, the Company had no bank debt.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during 2022. The Company is not subject to externally imposed capital requirements.

#### 14. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, officers, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

The aggregate compensation of key management and directors of the Company for years 2022 and 2021 was as follows:

|                      | <u>2022</u> | <u>2021</u>  |
|----------------------|-------------|--------------|
| Remuneration         | \$ 433,200  | \$ 396,915   |
| Share-based payments | \$ 376,912  | \$ 1,293,582 |