

**CANADIAN CRITICAL MINERALS INC.**  
**(formerly BRAVEHEART RESOURCES INC.)**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars, unless otherwise stated)**

**FOR THE YEARS ENDED MAY 31, 2023 and 2022**

## Independent Auditors' Report

To: The Shareholders of **Canadian Critical Minerals Inc.**

### Opinion

We have audited the consolidated financial statements of Canadian Critical Minerals Inc. (the "Company"), which comprise the statement of financial position as at May 31, 2023 and the statements of income (loss) and comprehensive income (loss), consolidated changes in equity and cash flows for the year 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 May 31, 2023, and its financial performance and its cash flows for the year 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 Auditors' 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 indicates that at May 31, 2023 the Company had a deficit of \$26,525,684. This condition, along with other matters as set forth in Note 1, 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 qualified in respect of this matter.

### 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section of our report, we have determined the matter described below to be the key audit matter to be communicated in our auditors' report.

### Assessment of impairment indicators of mineral properties

#### *Description of the matter:*

As reported in the statement of financial position and Note 7, on May 31, 2023, the total book value of exploration and evaluation assets amounted to \$4,186,858. As indicated in Note 3.9, exploration and evaluation assets are initially recorded at cost and any additional expenditures are expensed or capitalized in accordance with the Company's accounting policy. At each reporting period, Management assesses the exploration and evaluation assets for indicators of impairment. This assessment would include considering whether a) the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of resources and the Company has decided to discontinue such activities in the specific area; and d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the asset is unlikely to be recovered in full from successful development or by sale.

#### *Why the matter is a key audit matter:*

We determined that this is a key audit matter due to the judgement involved in the assessment of indicators of impairment and the significance of the balance of exploration and evaluation assets.

## Independent Auditors' Report (continued)

### *How the matter was addressed in the audit:*

We obtained a claims listing, including expiration dates, and agreed such information to government agency websites. We assessed whether substantive expenditures on further exploration is budgeted through reading Board of Directors' minutes and obtained Management's long-term plans for the properties. We assessed the results of activities completed by the Company up to the reporting date and considered evidence obtained in other areas of the audit.

### Other Matter

The financial statements of the Company for the year ended May 31, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on September 28, 2022.

### Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

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 auditors' 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 in this auditors' report. 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 these 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.

### Auditors' 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 auditors' 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 judgement 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

## Independent Auditors' Report (continued)

- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Auditors' report is Roland Bishop, CPA, CA.



Chartered Professional Accountants

September 26, 2023  
Calgary, Alberta

**CANADIAN CRITICAL MINERALS INC.**  
**(formerly BRAVEHEART RESOURCES INC.)**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT**

	<i>Note</i>	May 31 2023	May 31 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment	6	\$ 2,773,389	\$ 2,971,821
Unprocessed ore		5,039,144	5,039,144
Mineral properties	7	4,186,858	4,186,858
Deposits	8	994,660	1,009,468
Deferred tax asset		1	1
<b>Total non-current assets</b>		<b>12,994,052</b>	<b>13,207,292</b>
<b>Current assets</b>			
Prepays and deposits	8	106,971	36,536
Accounts receivable and harmonized sales tax	10	269,608	230,752
Cash and cash equivalents	9	605,926	117,744
<b>Total current assets</b>		<b>982,505</b>	<b>385,032</b>
<b>Total assets</b>		<b>\$ 13,976,557</b>	<b>\$ 13,592,324</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11	\$ 24,371,402	\$ 23,349,839
Warrants	11	3,772,873	3,501,600
Contributed surplus		6,766,797	6,393,354
Deficit		(26,525,684)	(27,978,877)
<b>Total Equity</b>		<b>8,385,388</b>	<b>5,265,916</b>
<b>Going concern</b>	1		
<b>Commitments and contingencies</b>	18		
<b>Events after reporting period</b>	19		
<b>Non-current liabilities</b>			
Loans payable	16	-	1,245,261
Due to related party	15	1,428,009	-
Flow through share premium		58,600	-
Government grants	16	-	9,767
Decommissioning obligations	17	201,025	173,608
<b>Total non-current liabilities</b>		<b>1,687,634</b>	<b>1,428,636</b>
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	13	1,952,416	1,503,831
Current portion of due to related party	15	450,000	5,334,102
Current portion of loans payable	16	1,493,441	45,362
Current portion of government grants	16	7,678	14,477
<b>Total current liabilities</b>		<b>3,903,535</b>	<b>6,897,772</b>
<b>Total liabilities</b>		<b>5,591,169</b>	<b>8,326,408</b>
<b>Total equity and liabilities</b>		<b>\$ 13,976,557</b>	<b>\$ 13,592,324</b>

Approved on behalf of the Board on September 26, 2023:

Signed: "Gestur Kristjansson"

Signed: "Ian Berzins"

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

# CANADIAN CRITICAL MINERALS INC.

(formerly BRAVEHEART RESOURCES INC.)

## CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE YEARS ENDED MAY 31, 2023 and 2022

	<i>Note</i>	May 31 2023	May 31 2022
<b>Revenue</b>		\$ -	\$ 123
<b>Expenses</b>			
Marketing and advertising		\$ 9,137	\$ 45,190
Consulting fees		456,755	557,135
Amortization	6	198,431	195,602
Accretion	17	27,417	45,966
Administrative expenses		385,899	375,812
Professional fees		161,561	213,014
Salaries and wages		173,303	211,106
Supplies and maintenance		246,303	299,443
Mining exploration and development expenses	7	421,465	869,668
Mining tax credit		(179,697)	(37,151)
Share based compensation		31,839	267,361
Interest expense	15,16	521,356	853,332
<b>Expenses</b>		<b>2,453,769</b>	<b>3,896,478</b>
Other (income) expenses		(81,667)	(16,014)
Bad debts expense		-	59,609
Gain on modification of related party debt	15	(3,749,380)	-
Loss on modification of long term debt	16	20,844	-
Loss on extinguishment of long term debt		-	223,526
(Gain) loss on sale of assets	8	-	125,000
Foreign exchange (gain) loss		75,404	82,016
Interest income		(20,013)	(8,825)
<b>Net income (loss) before taxes</b>		<b>\$ 1,301,043</b>	<b>\$ (4,361,667)</b>
Deferred income tax recovery	12	(152,150)	(84,449)
<b>Net income (loss) and comprehensive income (loss) for the period</b>		<b>\$ 1,453,193</b>	<b>(4,277,218)</b>
<b>Net income (loss) per share</b>	14	<b>\$ 0.006</b>	<b>(0.020)</b>
<b>Weighted average outstanding shares</b>	14	<b>238,792,658</b>	<b>215,677,403</b>

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

**CANADIAN CRITICAL MINERALS INC.**  
**(formerly BRAVEHEART RESOURCES INC.)**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED MAY 31, 2023 and 2022**

	Share Capital								Total
	Note	Common Shares		Warrants		Contributed		Deficit	
		Number	Amount	Number	Amount	Surplus			
Balance, May 31, 2021		205,548,362	\$ 22,085,144	58,782,878	\$ 2,782,337	\$ 6,154,681	\$ (23,701,659)	\$ 7,320,503	
Shares issued for cash		18,249,797	1,549,563	-	-	-	-	1,549,563	
Warrants expired unexercised				(787,569)	(76,518)	76,518		-	
Warrants issued for incentive of debt				10,000,000	305,784			305,784	
Fair value of warrants			504,063	18,249,797	(504,063)	-		-	
Share based compensation						267,361		267,361	
Shares issued for property acquisition		250,000	25,000					25,000	
Stock options exercised		1,800,000	213,206			(105,206)		108,000	
Share issue costs			(19,011)	150,000	5,410			(13,601)	
Net loss and comprehensive loss							(4,277,218)	(4,277,218)	
<b>Balance, May 31, 2022</b>		<b>225,848,159</b>	<b>23,349,839</b>	<b>86,395,106</b>	<b>3,501,600</b>	<b>6,393,354</b>	<b>(27,978,877)</b>	<b>5,265,916</b>	
Shares issued for cash	8	2,537,857	185,650					185,650	
Shares issued for trade payable		1,650,000	115,500					115,500	
Warrants expired unexercised				(5,827,333)	(341,604)	341,604		-	
Flow-through share issue for cash	8	20,150,000	1,656,000					1,656,000	
Flow-through share premium	8		(210,750)					(210,750)	
Fair value of warrants	8		(549,993)	20,487,857	549,993			-	
Share based compensation						31,839		31,839	
Share issue costs	8		(174,844)	1,366,500	62,884			(111,960)	
Net income and comprehensive income							1,453,193	1,453,193	
<b>Balance, May 31, 2023</b>		<b>250,186,016</b>	<b>\$ 24,371,402</b>	<b>102,422,130</b>	<b>\$ 3,772,873</b>	<b>\$ 6,766,797</b>	<b>\$ (26,525,684)</b>	<b>\$ 8,385,388</b>	

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

**CANADIAN CRITICAL MINERALS INC.**  
**(formerly BRAVEHEART RESOURCES INC.)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED MAY 31, 2023 and 2022**

<i>Note</i>	May 31 2023	May 31 2022
<b>Cash flows from operating activities</b>		
Net income (loss) for the period	\$ 1,453,193	\$ (4,277,218)
Add back/Deduct non-cash expenses/(income)		
Amortization	6 198,431	195,602
Accretion	17 27,417	45,966
Bad debts expense	-	59,609
Share based compensation	11 31,839	267,361
Other income - Government grant	16 (16,566)	(16,014)
Interest accrued	15,16 500,512	853,333
Deferred income tax recovery	12 (152,150)	(84,449)
Unrealized foreign exchange loss	72,168	82,016
Loss on forfeit of deposit	-	125,000
Loss on modification of long term debt	16 20,844	223,526
Gain on modification of related party debt	15 (3,749,380)	-
Net changes in working capital balances		
Accounts receivable and harmonized sales tax	(38,856)	(51,428)
Prepays and deposits	(55,627)	22,831
Accounts payable and accrued liabilities	564,086	287,231
Cash flows used in operating activities	<b>(1,144,089)</b>	<b>(2,266,634)</b>
<b>Cash flows from investing activities</b>		
Investment in capital assets, net of deposits applied	-	(458,999)
Cash flows used in investing activities	-	(458,999)
<b>Cash flows from financing activities</b>		
Issue of common shares and warrants, net of costs	11 1,729,691	1,535,962
Stock options exercised	-	108,000
Loans payable	(97,419)	(93,033)
Related party loan	-	(175,000)
Cash provided by financing activities	<b>1,632,272</b>	<b>1,375,929</b>
Net change in cash	488,183	(1,349,704)
Effect of movements in exchange rates on cash held	-	(6,183)
Cash, beginning of period	117,744	1,473,631
<b>Cash, end of period</b>	<b>\$ 605,927</b>	<b>\$ 117,744</b>
Supplementary cash flow information:		
Interest paid	118,263	268,033

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



**CANADIAN CRITICAL MINERALS INC.**  
**(formerly BRAVEHEART RESOURCES INC.)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2023 and 2022**  
(In Canadian dollars)

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**1. REPORTING ENTITY AND GOING CONCERN**

Canadian Critical Minerals Inc. (the “Company”) (formerly Braveheart Resources Inc.) is an exploration stage company engaged in locating, acquiring and exploring for precious metals in Canada. The Company was incorporated pursuant to the laws of Ontario on October 13, 2009. The Company is listed on the TSX Venture Exchange, having the symbol CCMI as well as the OTCQB Venture Market in the United States, having the symbol RIINF, and is in the process of exploring its mineral properties.

The address of the Company's corporate office and principal place of business is 2520 – 16<sup>th</sup> Street NW, Calgary, Alberta T2M 3R2, Canada.

On January 18, 2019, the Company acquired all of the shares of Purcell Basin Minerals Inc. (Purcell) pursuant to a plan of arrangement and these consolidated financial statements include the operating results of Purcell and its subsidiaries (Bull River Mineral Corporation, Gallowai Metal Mining Corporation, Grand Mineral Corporation, and Stanfield Mining Group of Canada Ltd.) from the date of acquisition.

On December 22, 2020, the Company acquired all shares of Cadillac Ventures Holdings Inc. and on January 26, 2021 Cadillac Ventures Holdings Inc. changed its name to Pickle Lake Minerals Inc. (Pickle Lake). These consolidated financial statements include the operating results of Pickle Lake from the date of acquisition.

**Going Concern**

These consolidated financial statements have been prepared on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has a cumulative deficit of \$26,525,684 and used cash flow in operating activities of \$1,144,089. At year end May 31, 2023 the Company, has a working capital deficit of \$2,921,031 and raised cash of \$350,000 subsequent to year-end. The Company has \$1,417,561 loan payable (Note 16) secured by Bull River mining assets and is due on September 30, 2023 and does not currently have resources to settle the loan.

The Company will be required to raise significant financing to fund both ongoing operating activities and the capital required to develop its existing mining properties. In addition, the Company has certain commitments (note 18) and debt maturities (note 16) for which repayment will be required.

The Company's continued existence is dependent upon the preservation of its interest in the underlying mineral properties, the discovery of economically recoverable mineral reserves and the achievement of profitable operations.

As a result of these risks, there exists a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses or statement of financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

**CANADIAN CRITICAL MINERALS INC.**  
**(formerly BRAVEHEART RESOURCES INC.)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2023 and 2022**  
(In Canadian dollars)

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**2 BASIS OF PRESENTATION**

**2.1 Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future period.

The consolidated financial statements were authorized for issue by the Board of Directors on September 26, 2023.

**2.2 Basis of Consolidation**

The consolidated financial statements include the financial statements of Canadian Critical Minerals Inc. and its wholly-owned subsidiaries, Pickle Lake Minerals Inc. and Purcell Basin Minerals Inc., a company incorporated in British Columbia and its wholly-owned subsidiaries Bull River Mineral Corporation, Gallowai Metal Mining Corporation, and Grand Mineral Corporation. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of loss and comprehensive loss from the effective date of acquisition or up to the effective date of disposal, as appropriate. All inter-company transactions, balances, income and expenses are eliminated through the consolidation process.

**2.3 Basis of measurement**

These consolidated financial statements have been prepared on the historical cost basis as set out in the accounting policies below. Certain items are stated at fair value.

**3. ACCOUNTING POLICIES**

**3.1 Business combinations**

Business combinations are accounted for using the acquisition method when the acquisitions of companies and/or assets meet the definition of a business under IFRS. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of acquisition. The acquired identifiable assets and liabilities and any contingent consideration are measured at their fair value at the date of acquisition. The fair value of property, plant and equipment is the estimated amount for which these assets could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Any excess of the purchase price over the fair value of the identifiable assets and liabilities acquired is recognized as goodwill. If the cost of acquisition is less than fair value of the identifiable assets and liabilities, the difference is recorded as a gain in profit or loss. Associated transaction costs are expensed when incurred.

**CANADIAN CRITICAL MINERALS INC.**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2023 and 2022**  
(In Canadian dollars)

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### **3.2 Foreign currencies**

#### **Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year. Such gains and losses are recognized in profit or loss.

#### **Functional and Presentation Currency**

These consolidated financial statements are presented in Canadian dollars, which is the Company's and its subsidiaries' functional and presentation currency.

### **3.3 Financial instruments**

Financial assets and financial liabilities are recognized when the Company becomes party to a contractual agreement.

#### **Classification of Financial Assets**

Financial assets are initially measured at fair value and classified into one of the following specified categories: amortized cost, fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVOCI"). Financial assets measured at amortized cost are initially recognized at fair value and subsequently are measured at amortized cost using an effective interest rate method.

Financial assets measured at FVTPL are measured at fair value with unrealized gains and losses recognized in the consolidated statements of loss and comprehensive loss.

Financial assets recognized in the consolidated statements of financial position include cash and cash equivalents, accounts receivable and harmonized taxes, and deposits.

Cash and cash equivalents consist of bank balances in Canada. Cash and cash equivalents are classified as fair value through profit or loss and are measured at fair value.

Deposits and accounts receivables and harmonized taxes are initially recognized at fair value, and subsequently measured at amortized cost.

#### **Classification of Financial Liabilities**

Financial liabilities are classified as either FVTPL or amortized cost. Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized in the consolidated statements of loss and comprehensive loss unless the change in fair value is attributable to changes in credit risk in which case the change is reported in other comprehensive income. Financial liabilities reported at amortized cost, including borrowings, are initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method. Financial liabilities consist of

**CANADIAN CRITICAL MINERALS INC.**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2023 and 2022**  
(In Canadian dollars)

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accounts payable and accrued liabilities, loans payable, due to related party.

Accounts payable and accrued liabilities, due to related party, and loans payable, are all initially recognized at fair value and classified as amortized cost, and subsequently measured at amortized cost.

Financial instruments recorded at fair value:

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

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash and cash equivalents are considered Level 1 in the hierarchy.

Cash and cash equivalents in the statements of financial position comprise cash at Canadian banks, trust accounts, and short-term deposits with an original maturity of 3 months or less.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

### **3.4 Significant accounting judgments and estimates**

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

Critical accounting estimates:

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2023 and 2022**  
(In Canadian dollars)

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- The recoverability of mining assets including, mineral properties, unprocessed ore and property and equipment.
- The fair value of stock options and warrants issued in conjunction with the issuance of the Company's common shares and the fair value of stock options and warrants using the Black Scholes option pricing model.
- The recoverability of deferred tax assets.
- Property, plant and equipment and useful lives and related depreciation and amortization.
- Net realizable value of unprocessed ore.
- As described in note 15 the Company completed a conversion agreement whereby its related party loan was converted to a net smelter royalty. The extinguishment was accounted for as a debt modification and recorded a gain of \$3,749,380 which is the difference between the prior amount and the estimated fair value of the net smelter royalty based on minimum periodic repayments.

Critical accounting judgments:

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assumptions made by management.

### **3.5 Plant and Equipment**

On initial recognition, property, plant and equipment are valued at cost, being the purchase price which includes the cash consideration and the fair market value of the shares issued for the acquisition of mineral properties and those directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within the provisions.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Consolidated Statement of Loss during the financial period in which they are incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized in the Consolidated Statement

**CANADIAN CRITICAL MINERALS INC.**  
**(formerly BRAVEHEART RESOURCES INC.)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2023 and 2022**  
(In Canadian dollars)

---

of Loss. Property, plant and equipment are stated at cost less accumulated amortization, based on the estimated useful life of the asset is calculated as follows:

Plant and building – 20 years

Equipment – 10 -20 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate.

### **3.6 Income taxes**

The Company uses the Asset and Liabilities method to determine income tax and deferred tax. Income tax expense is comprised of current and deferred tax expense. Current tax expense is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes and are presented as noncurrent liabilities.

Income tax expense is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity. Income taxes are calculated using the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and for tax losses and other deductions carried forward.

Deferred income tax assets and liabilities are calculated using substantively enacted tax rates expected to apply when the asset is realized, or the liability is settled. An asset is recognized on the statement of financial position when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably. The effect on deferred tax assets and liabilities of changes in tax rates are recognized in income in the period in which the change is substantively enacted.

Deferred taxes are not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

The Company is entitled to refundable BC mineral exploration tax credits and refundable mining duties as a result of incurring mineral exploration expenses in British Columbia. These amounts are recognized when the amount to be received can be reasonably estimated and collection is reasonably assured.

### **3.7 Flow-through shares**

The Company will, from time to time, issue flow-through shares to finance a portion of its exploration programs. Pursuant to the terms of flow-through share agreements, the Company agrees to incur qualifying expenditures and renounce the tax deductions associated with these qualifying expenditures to the flowthrough subscribers at an agreed upon date.

**CANADIAN CRITICAL MINERALS INC.**  
**(formerly BRAVEHEART RESOURCES INC.)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2023 and 2022**  
(In Canadian dollars)

---

Flow-through shares are reported at issue price. If the flow-through shares are issued at a premium to the market price of non-flow through or hard dollar shares at the date of announcement, such premium or excess proceeds is reported as a liability on the Statements of Financial Position. The subsequent renunciation of such qualifying expenditures incurred by the Company in favor of the flow-through subscribers is reported as a reduction in the flow-through share premium liability on the Statements of Financial Position and a corresponding reduction in deferred tax expense on the Consolidated Statements of Loss and Comprehensive loss.

### **3.8 Restoration, rehabilitation and environmental obligations and provisions**

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying account of the asset, as soon as the obligation to incur such costs arises. Discount rates using a credit adjusted rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

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

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

### **3.9 Exploration and evaluation asset**

Mineral properties are exploration and evaluation assets. Exploration and evaluation costs incurred prior to determination of the right to explore of mining operations are charged to operations as incurred.

The acquisitions of mineral property interests are initially measured at cost.

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures (“E&E”) are charged to operations as incurred. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs and share based payments to employees and consultants, are expensed in the period in which they occur.

### **3.10 Unprocessed ore**

Unprocessed ore is recorded at its net realizable value. Net realizable value is determined with reference to relevant market prices less applicable variable selling expenses. Estimation is also required in

**CANADIAN CRITICAL MINERALS INC.**  
**(formerly BRAVEHEART RESOURCES INC.)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2023 and 2022**  
(In Canadian dollars)

---

determining the tonnage, recoverable gold and copper contained therein, and in determining the remaining costs of completion to bring inventory into its saleable form.

### **3.11 Impairment of assets**

#### **(i) Non-financial assets**

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets are grouped together into the smallest Company of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating units exceed its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (Company of units) on a pro rata basis.

#### **(ii) Financial assets**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

### **3.12 Revenue recognition**

IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the provision of goods (or the completion of services) to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services.



**CANADIAN CRITICAL MINERALS INC.**  
**(formerly BRAVEHEART RESOURCES INC.)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2023 and 2022**  
(In Canadian dollars)

---

This is achieved by applying the following five steps: i) identify the contract with the customer; ii) identify the performance obligations in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligations in the contract; and v) recognize revenue when (or as) the entity satisfies a performance obligation. Income from the sale of mineral products, when they occur, are generally recorded on a gross basis when title passes to an external party. The Company recognizes income when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collection of the related receivable is reasonably assured. Title and risk of loss generally pass to the customer at the time of control of the product passes to the customer. Interest income is accrued as earned.

### **3.13 Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

### **3.14 Loss per share**

The Company presents basic and diluted earnings/(loss) per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held and for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

### **3.15 Warrants**

Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value. The fair value of the share component calculated using Black-Scholes option pricing model, is credited to share capital and the value of the warrant component is credited to the warrants account. Upon exercise of the warrants, consideration paid by the warrant holder together with the amount previously recognized in the warrants account is recorded as an increase to share capital.

### **3.16 Comprehensive income or loss**

Comprehensive income or loss is the change in equity (net assets) of the Company during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes to equity during a year except those resulting from investments by owners and distributions to owners. Comprehensive income is comprised of net income for the period and other comprehensive income. This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in “other comprehensive income” until it is considered appropriate to recognize into net earnings.

**CANADIAN CRITICAL MINERALS INC.**  
**(formerly BRAVEHEART RESOURCES INC.)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2023 and 2022**  
(In Canadian dollars)

---

The Company had no comprehensive income or loss transactions, other than its net loss, presented in the Statements of Loss and Comprehensive Loss, nor has the Company accumulated other comprehensive income during the periods that have been presented.

#### **4. DETERMINATION OF FAIR VALUES**

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

##### **4.1 Mineral properties and exploration and evaluation asset**

The application of the Company's accounting policy for mineral properties and exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale of the project, or where exploration activities are not adequately advanced to support a precious metals resource assessment. The determination is an estimation process that requires varying degrees of uncertainty and these estimates directly impact the mineral property acquisition costs.

Where an indicator of impairment exists, a formal estimated recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance.

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. Fair value of mineral properties is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, discounted by an appropriate pre-tax discount rate to arrive at a net present value.

##### **4.3 Share-based payment transactions**

Share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Under this method, the fair value of the equity-settled share-based payment is measured on the date of grant using the Black-Scholes option pricing model, and is recognized as an expense or capitalized, depending on the nature of the grant, with a corresponding increase in equity, over the period that the employees earn the options. For options that do not vest immediately, the fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period in which the options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest.

Equity-settled, share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility.

**CANADIAN CRITICAL MINERALS INC.**  
**(formerly BRAVEHEART RESOURCES INC.)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2023 and 2022**  
(In Canadian dollars)

---

**5. FINANCIAL RISK MANAGEMENT**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- interest rate risk
- price risk
- commodity price risk
- foreign currency risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

**(i) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivables, and cash and equivalents.

The Company considers this risk to be low.

*Accounts Receivables*

Receivables are measured at carrying value and are subject to credit risk exposure.

*Cash and deposits*

At times when the Company's cash position is positive, cash deposits are made with financial institutions having reasonable local credit ratings.

**(ii) Liquidity risk**

Liquidity risk encompasses the risk that a company cannot meet its financial obligations in full. The Company's main sources of liquidity are its cash and cash equivalents. These funds are primarily used for operations, finance working capital, exploration expenditures, evaluation expenditures, and acquisitions.

As part of its capital management process, the Company prepares budgets and forecasts, which are used by management and the Board of Directors to direct and monitor the strategy and ongoing operations

**CANADIAN CRITICAL MINERALS INC.**  
**(formerly BRAVEHEART RESOURCES INC.)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2023 and 2022**  
(In Canadian dollars)

and liquidity of the Company. Budgets and forecasts are subject to significant judgement and estimates relating to activity levels, future cash flows and the timing thereof and other factors which may or may not be within the control of the Company. The current volatility in commodity prices and overall global market uncertainty creates significant inherent challenges with the preparation of financial forecasts. See further discussions relating to going concern and liquidity in note 1.

The consolidated financial statements for the year ended May 31, 2023 have been prepared using IFRS applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business. However, the Company is in the exploration stage and is subject to risks and challenges similar to companies in a comparable stage. As a result of these circumstances, there is significant doubt as to the appropriateness of the going concern presumption. There is no assurance that Braveheart's funding initiatives will continue to be successful and these financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

Liabilities maturities:

	<b>May 31, 2023</b>	<b>May 31, 2022</b>
Current (due within one year)	\$ 3,903,535	\$ 6,897,773
Non-Current	1,687,634	1,428,636
Total Liabilities	<u>\$ 5,591,169</u>	<u>\$ 8,326,409</u>

**(iii) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Loans payable are variable interest rate.

**(iv) Commodity price risk**

The value of the Company's exploration and evaluation assets are related to the price of gold, copper, and other mineral commodities. Adverse changes in the price of gold and copper can also significantly impair the economic viability of the Company's projects, along with the ability to obtain future financing.

Gold, copper, and other mineral commodities prices historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank reserves, management forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand due to speculative hedging activities, macro-economic variables and certain other factors related specifically to gold, copper, and other mineral commodities.

**(v) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Company is exposed to foreign currency fluctuations as certain transactions and loans are denominated in United States dollars.

**CANADIAN CRITICAL MINERALS INC.**  
**(formerly BRAVEHEART RESOURCES INC.)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2023 and 2022**  
(In Canadian dollars)

**Sensitivity analysis** - Based on management’s knowledge and experience of the financial markets, the Company believes that movements at  $\pm 10\%$  are “reasonably possible” over a one year period:

(a) As at May 31, 2023, the Company had \$1,417,561 (\$1,042,094 US dollars) in loan liability and \$3,627. in cash denominated US Dollar foreign currency.

(b) Price risk is remote since the Company is a non-producing entity.

**Capital risk management**

The primary objective of managing the Company’s capital is to ensure that there is sufficient capital available to support the funding and operating requirements of the Company in a way that optimizes the cost of capital, maximizes shareholders’ returns, matches the current strategic business plan and ensures that the Company remains in a sound financial position. (See note 1)

There were no changes to the Company’s approach to capital management during the year, as compared to the prior year.

**6. PLANT AND EQUIPMENT**

May 31, 2023	Cost	Accumulated amortization	Net book value
Buildings	\$2,486,494	(541,418)	\$1,945,076
Equipment	\$1,109,067	(280,754)	\$ 828,313
Total	\$3,595,561	(822,172)	\$2,773,389

May 31, 2022	Cost	Accumulated amortization	Net book value
Buildings	\$2,486,494	(417,093)	\$ 2,069,401
Equipment	\$1,109,067	(206,647)	\$ 902,420
Total	\$3,595,561	(623,740)	\$2,971,821

Amortization rates based on estimated useful lives of 20 years for Building and 10-20 years for Equipment. The year ended May 31, 2023 includes \$368,000 in of floatation cell work-in-process equipment. The buildings and equipment are attributable to the Bull River mine.

**7. MINERAL PROPERTIES AND EXPLORATION AND EVALUATION ASSET**

	May 31, 2022	Additions	Adjustments	May 31, 2023
Purcell	\$ 2,020,677	-	-	\$ 2,020,677
Thierry	2,166,181	-	-	2,166,181
	\$ 4,186,858	\$ -	-	\$ 4,186,858

**CANADIAN CRITICAL MINERALS INC.**  
**(formerly BRAVEHEART RESOURCES INC.)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2023 and 2022**  
(In Canadian dollars)

	May 31, 2021	Additions	Adjustments	May 31, 2022
Purcell	\$ 2,089,594	-	\$ (68,917)	2,020,677
Thierry	2,328,095	25,000	(186,914)	2,166,181
	\$ 4,417,689	\$ 25,000	(255,831)	\$ 4,186,858

For the year ended May 31, 2022, \$167,955 of combined adjustment for Purcell and Thierry are due to changes in estimates for decommissioning obligation (note 18) and \$27,891 for Thierry related to adjustment of contingent consideration respectively (note 6).

**Mining Exploration Expenses**

	For the Year Ended May 31, 2023	For the Year Ended May 31, 2022
Alpine	-	26,212
Purcell	361,040	760,802
Thierry	60,425	82,654
	421,465	\$ 869,668

The BC Mining Exploration Tax Credit (BCMETS) is a 30% credit on qualified mining exploration for the determination of the existence, location, extent or quality of a mineral resource in BC. During the year, the Company had BCMETS of \$179,697 (2022- \$37,151).

**8. DEPOSITS AND PREPAIDS**

	May 31, 2023	May 31, 2022
Restricted deposits	\$ 994,660	\$ 1,009,468
Advances and prepaids	106,971	36,536
Deposits and prepaid	\$ 1,101,631	\$ 1,046,004
Current portion	106,971	36,536
	\$ 994,660	\$ 1,009,468

Restricted deposits are held in Canadian banks as required by British Columbia Ministry of Energy, Mines and Low Carbon Innovation for Purcell and the Ontario Ministry of Northern Development, Mines, Natural Resources and Forestry for Thierry.

**Options agreement to acquire Alpine Gold Mine Property**

On March 3, 2021, the Company entered into an option agreement to acquire a 100% interest in the past-producing Alpine Mine Property near Nelson, British Columbia. The Company issued 1,000,000 shares fair value estimated at \$125,000 in April 2021. During the year ended May 31, 2022 the Company allowed the option agreement to lapse and recognized a loss of \$125,000.

**CANADIAN CRITICAL MINERALS INC.**  
**(formerly BRAVEHEART RESOURCES INC.)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2023 and 2022**  
(In Canadian dollars)

**9. CASH**

	May 31, 2023	May 31, 2022
Cash	\$ 605,926	\$ 117,744

All cash is held in Canadian banks, and a trust account.

**10. HARMONIZED SALES TAX AND OTHER RECEIVABLES**

	May 31, 2023	May 31, 2022
BC Mining Exploration Tax Credit	\$ 231,501	\$ 149,075
Misc receivables	4,130	-
Harmonized sales tax	33,977	81,677
	<u>\$ 269,608</u>	<u>\$ 230,752</u>

**11. SHARE CAPITAL**

Authorized: Unlimited number of common shares without a value

<b>Authorized and issued</b>	Number of shares	
	May 31, 2023	May 31, 2022
Common shares, beginning of year	225,848,159	205,548,362
Issued for cash - shares (i)(iv)(vi)(vii)	2,537,857	18,249,797
Issued for trade payables (ix)	1,650,000	-
Issued for flow-through share (v)(vii)(viii)	20,150,000	-
Issued for cash on exercise of stock options (iii)	-	1,800,000
Issued for property acquisition (ii)	-	250,000
Common shares	<u>250,186,016</u>	<u>225,848,159</u>
Opening	\$ 23,349,839	\$ 22,085,144
Issued for cash - shares (i),(iv)(vi) (vii)	185,650	1,549,563
Issued for trade payables (ix)	115,500	-
Issued for flow-through share (v)(vii)(viii)	1,656,000	-
Flow-through share premium	(210,750)	-
Issued for cash on exercise of stock options (iii)	-	213,206
Warrants exercised (i)(xi)	-	25,000
Issued for settlement of related party loan (x)	-	(19,011)
Warrants exercised (i)(xi)	-	(504,063)
Share issue costs (v)(vii)	(174,844)	-
Fair value of warrants (v)(vi)(vii)	(549,993)	-
	<u>\$ 24,371,402</u>	<u>\$ 23,349,839</u>

- (i) On July 7, 2021 the Company issued 7,233,130 units at \$0.10 per unit for \$723,313. Each unit is comprised of one common share and one warrant. Each warrant is exercisable into a common share at a price of \$0.14 per share for a period of 24 months from offering. 90,000 finders fees warrants were issued exercisable into a common share at a price of \$0.14 per share until July 7, 2023.

**CANADIAN CRITICAL MINERALS INC.**  
**(formerly BRAVEHEART RESOURCES INC.)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2023 and 2022**  
(In Canadian dollars)

---

- (ii) On August 10, 2021, the Company issued 250,000 shares as part of its cost of acquisition of a 2% Net Smelter Royalty on the Thierry mine project.
- (iii) During the year ended May 31, 2022, 1,800,000 stock options were exercised at \$0.06 per common share for gross proceeds of \$108,000.
- (iv) On February 16, 2022 the Company issued 11,016,667 units at \$0.075 per unit for \$826,250. Each unit is comprised of one common share and one-half warrant. Each warrant is exercisable into a common share at a price of \$0.135 per share for a period of 24 months from offering. 60,000 finders fees warrants were issued exercisable into a common share at a price of \$0.075 per share until February 15, 2024.
- (v) On July 27, 2022 the Company issued 4,400,000 units at \$0.09 per unit for \$396,000. Each unit is comprised of one flow through common share and one-half warrant. Each warrant is exercisable into a common share at a price of \$0.135 per share for a period of 24 months from offering. Commissions totaling \$23,760 and 264,000 finders fees warrants were issued exercisable into a common share at a price of \$0.09 per share until July 26, 2024.
- (vi) On August 11, 2022 the Company issued 937,857 units at \$0.07 per unit for \$65,650. Each unit is comprised of one common share and one warrant. Each warrant is exercisable into a common share at a price of \$0.105 per share for a period of 24 months from offering.
- (vii) On November 18, 2022 the Company issued 1,600,000 units at \$0.075 and 6,250,000 flow through units at \$0.08 per unit for \$620,000. Each unit is comprised of one common share and one warrant exercisable into a common share at a price of \$0.1125 per share for a period of 36 months from offering. Each flow through share consists of one common share and one common share purchase warrant that is exercisable into a common share at \$0.12 per share for a period of 36 months. Commissions totaling \$35,000 and 437,500 finders fees warrants were issued exercisable into a common share at a price of \$0.08 per share until November 17, 2025.
- (viii) On December 28, 2022 the Company issued 9,500,000 flow through units at \$0.08 per unit for \$760,000. Each unit is comprised of one common share and one share warrant exercisable into a common share at a price of \$0.12 per share for a period of 36 months from offering. Commissions totaling \$53,200 and 665,000 finders fees warrants were issued exercisable into a common share at a price of \$0.08 per share until December 28, 2025.
- (ix) On March 7, 2023 1,650,000 shares were issued as payment for outstanding trade payables.

See also note 19 for details of shares issued in June 2023.



**CANADIAN CRITICAL MINERALS INC.**  
**(formerly BRAVEHEART RESOURCES INC.)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2023 and 2022**  
(In Canadian dollars)

**Warrants**

The following table summarizes warrants that have been issued, exercised or have expired during the years ended May 31, 2023 and 2022:

	Number of Warrants	Weighted Average Exercise Price
Balance, May 31, 2021	58,782,878	\$ 0.160
Expired	(787,569)	0.097
Issued	28,399,797	0.120
Balance, May 31, 2022	86,395,106	\$ 0.140
Issued	3,401,857	0.090
Issued	6,250,000	0.120
Issued finders fees warrants	437,500	0.080
Issued	1,600,000	0.1125
Issued	9,500,000	0.120
Issued finders fees warrants	665,000	0.080
Expired	(3,062,115)	0.150
Expired	(2,765,218)	0.140
Balance, May 31, 2023	102,422,130	\$ 0.130

At May 31, 2023, the following warrants were outstanding. The warrants entitle the holders to purchase the stated number of common shares at the exercise price on or before the expiry date.

Warrants	Exercise Price	Expiry date
7,323,130	0.14	July 7, 2023
7,000,000	0.11	September 22, 2023
10,000,000	0.10	September 30, 2023
13,745,754	0.11	October 30, 2023
60,000	0.075	February 15, 2024
11,016,667	0.1175	February 16, 2024
27,200,000	0.20	March 16, 2024
2,200,000	0.135	July 26, 2024
264,000	0.09	July 26, 2024
937,857	0.0105	August 11, 2024
2,000,000	0.1688	August 6, 2025
2,222,222	0.185	September 1, 2025
6,250,000	0.120	November 18, 2025
437,500	0.08	November 18, 2025
1,600,000	0.1125	November 18, 2025
9,500,000	0.12	December 28, 2025
665,000	0.08	December 28, 2025
102,422,130	0.130	

**CANADIAN CRITICAL MINERALS INC.**  
**(formerly BRAVEHEART RESOURCES INC.)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2023 and 2022**  
(In Canadian dollars)

**Stock option plan**

The Company has a stock option plan to provide employees, directors, officers and consultants with options to purchase common shares of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock on the day of grant and the maximum term of option is five years. The maximum number of shares which may be issued under the program shall not exceed 10% of the issued and outstanding shares. A continuity of stock options are presented as follows:

	Number of Options	Weighted Average Exercise Price
<b>Balance, May 31, 2021</b>	17,060,556	\$ 0.13
<b>Issued</b>	500,000	0.105
<b>Issued</b>	4,000,000	0.075
<b>Exercised</b>	(1,800,000)	0.060
<b>Balance May 31, 2022</b>	19,760,556	\$ 0.10
<b>Issued</b>	500,000	0.075
<b>Balance May 31, 2023</b>	20,260,556	\$ 0.10

The following table summarizes information about stock options outstanding and exercisable at May 31, 2023, following the consolidation adjustment:

The Company provides compensation to directors, employees and consultants in the form of stock options.

Date of Grant	Number of Outstanding at May 31, 2022	Exercise Price	Date of Expiry	Number of Exercisable at May 31, 2023
June 5, 2019	5,955,556	\$ 0.18	June 5, 2023	5,955,556
June 11, 2020	325,000	\$ 0.18	June 11, 2023	325,000
October 22, 2020	3,600,000	\$ 0.10	October 30, 2025	3,600,000
April 8, 2021	5,380,000	\$ 0.10	April 8, 2026	5,380,000
June 16, 2021	500,000	\$ 0.105	June 16, 2026	500,000
February 16, 2022	4,000,000	\$ 0.075	February 16, 2027	4,000,000
October 4, 2022	500,000	\$ 0.075	October 4, 2027	500,000
	<u>19,860,556</u>			<u>20,260,556</u>

The Company provides compensation to directors, employees and consultants in the form of stock options.

On June 16, 2021, the Company granted 500,000 options at a strike price of \$0.105 and an expiry date of five years to a consultant. The fair value of \$46,559 for the 500,000 stock options granted of \$0.09 per option was calculated at the grant date using the Black-Scholes option pricing model. The assumptions for this calculation were when exercisable a risk free interest rate of 0.8%, expected life of 5 years and historical volatility was used for calculation of expected volatility of 141%.

On February 16, 2022, the Company granted 4,000,000 options at a strike price of \$0.075 and an expiry date of five years to officers, directors, employees, and consultants. The fair value of \$220,802 for the 4,000,000 stock options granted of \$0.06 per option was calculated at the grant date using the Black-Scholes option pricing model. The assumptions for this calculation were a risk free interest rate of 0.017%, expected life of 5 years and historical volatility was used for calculation of expected volatility of 127%.

**CANADIAN CRITICAL MINERALS INC.**  
**(formerly BRAVEHEART RESOURCES INC.)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2023 and 2022**  
(In Canadian dollars)

On October 4, 2022 the Company granted 500,000 options at a strike price of \$0.075 and an expiry date of five years to officers, directors, employees and consultants. The fair value of \$31,839 for the 500,000 stock options granted of \$0.08 per option was calculated at the grant date using the Black-Scholes option pricing model. The assumptions for this calculation were a risk free interest rate of 0.0338%, expected life of 5 years and historical volatility was used for calculation of expected volatility of 124%.

**12. INCOME TAX**

The provision for income taxes varies from the amount that would be computed by applying the combined federal and provincial statutory tax rate of 27.0% (2021 – 27.0%) to loss before income taxes. The reasons for the differences are as follows:

	<b>May 31, 2023</b>	<b>May 31, 2022</b>
Income (loss) before income taxes	\$ 1,301,043	\$ (4,361,667)
Expected income tax expense (reduction) @ 27% (2022-27%)	\$ 351,282	\$ (1,177,650)
Non-deductible stock based compensation	8,597	72,187
Other non-deductible (taxable) items	60,979	60,251
Flow-through share spending	214,737	72,306
Change in unrecognized deferred tax assets	(635,595)	972,906
Subtotal	-	-
Flow-through share premium	(152,150)	(84,449)
Deferred tax recovery (a)	\$ (152,150)	\$ (84,449)

(a) The \$152,150 (2022 - \$84,449) of deferred income tax recovery above pertains to the deferred premium on flow through shares.

Deferred tax assets have not been recognized in respect of the following deductible temporary differences because it is not probable that future taxable profits will be available against which the Company can utilize the benefit.

	<b>May 31, 2023</b>	<b>May 31, 2022</b>
Non-capital losses	\$ 60,648,466	\$ 63,370,251
Capital losses	15,803,777	15,803,777
Property, plant and equipment	198,843,991	198,698,473
Decommissioning obligations	201,025	173,608
Share issue costs	260,268	213,375
	\$ 275,757,527	\$ 278,244,484

The Company has non-capital losses of approximately \$60.8 million which expire between 2026 and 2043.

**CANADIAN CRITICAL MINERALS INC.**  
**(formerly BRAVEHEART RESOURCES INC.)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2023 and 2022**  
(In Canadian dollars)

**13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	May 31, 2023	May 31, 2022
Financial liabilities		
Other accrual	\$ 671,355	\$ 776,581
Trade payables	1,281,062	727,251
	<u>\$ 1,952,417</u>	<u>\$ 1,503,832</u>

**14. EARNINGS (LOSS) PER SHARE**

The calculation of basic earnings per share for the year ended May 31, 2023 was based on the income attributable to shareholders and a weighted average number of ordinary shares of 238,792,658 (2022-215,677,403). Diluted earnings per share for the year ended May 31, 2023 of \$0.004 was based on 353,211,832 shares considering warrants and options outstanding. As a result of the Company being in a loss position all outstanding dilutive instruments are anti-dilutive in 2022.

**15. RELATED PARTY**

On June 29, 2022 the Company completed a Loan Conversion Agreement with Matlock Farms Ltd., a related party, owned by a director of the Company.

Principal plus accrued interest converted into a 3% net smelter royalty ('NSR') on the Bull River Mine project. The NSR is capped at a maximum of \$6,750,000 ('Maximum NSR'). The Company will make semi-annual payments on or before June 30<sup>th</sup> and December 31<sup>st</sup> of each year of \$150,000 as advance payments against the NSR and such payments shall be deducted against NSR.

Upon satisfaction of the Maximum NSR Payment, the royalty rate under the NSR shall be reduced from 3% to 0.25%. The 0.25% NSR can be purchased by the Company at any time for \$1,000,000.

The required semi-annual non-interest bearing payments of \$150,000 component of the agreement continues to be recorded by the Company as related party loan, valued on date of conversion at its estimated fair value using 15% as the Company's cost of capital. The Company recognized a gain on conversion of the remaining loan balance to a royalty of \$3,749,380.

	Year Ended May 31, 2023	Year Ended May 31, 2022
Loan balance beginning of period	\$ 5,334,102	\$ 4,853,250
Interest payments	-	(175,000)
Gain on renegotiation of terms and share settlement	(3,749,380)	-
Accrued interest during the period	293,287	655,851
	<u>1,878,009</u>	<u>5,334,102</u>
Current portion	(450,000)	(5,334,102)
Long term portion	<u>\$ 1,428,009</u>	<u>\$ -</u>

**CANADIAN CRITICAL MINERALS INC.**  
**(formerly BRAVEHEART RESOURCES INC.)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2023 and 2022**  
(In Canadian dollars)

	<b>May 31, 2023</b>	<b>May 31, 2022</b>
Fees were charged by Director for corporate administrative and financial management services	\$ 60,000	\$ 46,000
Consulting fees were charged by officers and Directors	185,000	199,500
Accounting fees were charged by an officer for financial management services	50,035	102,795
Other		
Services provided to a contractor in which a Director of the Company is a significant shareholder	-	7,600
Stock based compensation to directors and officers	-	230,961
	<u>\$ 295,035</u>	<u>\$ 586,856</u>

**16. LOANS PAYABLE**

	May 31, 2023	May 31, 2022
Loans payable		
CEBA Loans	\$ 75,880	\$ 69,394
Ocean - Stockpile loan	1,417,561	1,221,250
	<u>1,493,441</u>	<u>1,290,623</u>
Less current portion	<u>(1,493,441)</u>	<u>(45,362)</u>
	<u>\$ -</u>	<u>\$ 1,245,261</u>

**16.1 CEBA Loans payable**

On April 20, 2020, the Company received a \$40,000 interest free loan due December 2023 supported by the Government of Canada through the Canada Emergency Business Account (CEBA) program. Payment of \$30,000 by the due date will result in \$10,000 forgiveness.

On December 21, 2020 an additional \$20,000 interest free loan due December 2023 supported by the Government of Canada through the Canada Emergency Business Account (CEBA) program. Payment of \$10,000 by the due date will result in \$10,000 forgiveness.

During the Thierry acquisition the Company assumed a \$60,000 interest free loan due December 2023 supported by the Government of Canada through the Canada Emergency Business Account (CEBA) program. Payment of \$40,000 by the due date will result in \$20,000 forgiveness.

<b>CEBA Loans</b>	<b>May 31, 2023</b>	<b>May 31, 2022</b>
Beginning of year	\$ 69,373	\$ 69,394
Interest	6,507	6,678
Extension of payment date	-	(6,699)
	<u>75,880</u>	<u>\$ 69,373</u>

**CANADIAN CRITICAL MINERALS INC.**  
**(formerly BRAVEHEART RESOURCES INC.)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2023 and 2022**  
(In Canadian dollars)

<b>Government grants</b>	<b>May 31, 2023</b>	<b>May 31, 2022</b>
Beginning of year	\$ 24,244	\$ 40,258
Amortization	(16,566)	(16,014)
	7,678	24,244
Less current portion	(7,678)	(14,477)
	\$ -	\$ 9,767

Government Grants are amortized on a straight line basis, assuming repayment in December 2023 to achieve forgiveness.

## **16.2 Ocean debt - Stockpile loan**

On March 17, 2021, the Company entered into a Concentrate Purchase Agreement with Ocean Partners UK Ltd. (Ocean) for the sale of its copper concentrates (with gold and silver credits) from its Bull River Mine. Additionally, Ocean has agreed to provide the Company with a Pre-Payment Financing Facility against initial proceeds from milling of mineralized material on surface. The Company is required to deliver 45,000 wet metric tonnes of copper concentrate. Ocean shall have a right of first refusal on any remaining production thereafter from Bull River. Interest on any amounts drawn is at 12-month LIBOR plus 8.75%. The Ocean debt is secured by Bull River mining assets. Blended interest and principle repayments to commence in March 2022.

On March 13, 2021, the Company made an initial draw of \$1,248,181 (USD \$1,000,000) net of arrangement fees and expenses associated with lender due diligence and legal fees.

On December 6, 2021 the Company amended the Ocean loan agreement by extending the maturity date under the facility to September 30, 2023 or such earlier date if the Company is in default of the conditions under the agreement.

In connection with the amendment, the Company granted to Ocean Partners 10,000,000 warrants of the Company with each warrant exercisable into a common share of the Company at an exercise price of \$0.10 per warrant until September 30, 2023 or such earlier date if the maturity date under the facility is accelerated due to an event of default under the agreement. A \$223,526 loss on renegotiation of long term debt. There is also an additional US \$20,000 to be paid on the earliest of (i) September 30, 2023; and )ii) the date on which Agreement is terminated in accordance with the terms.

The fair value of \$286,308 for the 10,000,000 warrants issued of \$0.03 per warrant was calculated at the issue date using the Black-Scholes pricing model. The assumptions for this calculation were a risk free interest rate of 1.03%, expected life of 1.82 years and historical volatility was used for calculation of expected volatility of 109%.

**CANADIAN CRITICAL MINERALS INC.**  
**(formerly BRAVEHEART RESOURCES INC.)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2023 and 2022**  
(In Canadian dollars)

	May 31, 2023	May 31, 2022
<b>Ocean Debt</b>		
Beginning of year	\$ 1,221,250	\$ 1,129,665
Interest accrued	221,562	194,377
Impact of loan extension	-	(88,342)
Interest paid	(118,263)	(93,033)
Impact of loan modification	20,844	-
Foreign exchange (gain) loss	72,168	78,583
	<u>1,417,561</u>	<u>1,221,250</u>
Less current portion	<u>(1,417,561)</u>	<u>(45,362)</u>
	<u>\$ -</u>	<u>\$ 1,175,888</u>

**17. DECOMMISSIONING LIABILITIES**

The Company estimates the total undiscounted cash flows to settle its decommissioning obligations are approximately \$691,308 in 2033 and \$2,596,147 in 2041 for the Bull River Mine and Thierry Mine respectively. A Company credit adjusted risk-free interest rate of 15.0% (2022 – 15%) and an estimated inflation rate of 3.0% (2022 – 3%) was used to calculate the present value of decommissioning obligations.

	May 31, 2023	May 31, 2022
Decommissioning obligations activities during the year		
Beginning of year	\$ 173,608	\$ 295,597
Adjustment for increase in mine life	-	(167,955)
Accretion	27,417	45,966
	<u>\$ 201,025</u>	<u>\$ 173,608</u>

**18. COMMITMENTS AND CONTINGENCIES**

In July 2022 the Company has committed to spend \$396,000, another \$620,000 in November 2022 and another \$760,000 in December 2022 from amounts raised through flow-through financing on eligible Canadian exploration and development expenses prior to December 31, 2023 (note 8).

As at May 31, 2023 the Company estimates \$981,000 remaining commitment on eligible Canadian exploration and development expenses by December 31, 2023. Subsequent to May 31, 2023 the Company has spending of approximately 588,000 associated with its drilling program at Thierry.

In connection with the Exploration Memorandum of Understanding with the Mishkeegogamang First Nation, the Company has committed to contribute \$60,000 annually to the Mishkeegogamang Community Fund to benefit the community.

The Company has entered into a Capacity Funding Agreement with the Ktunaxa Nation Council (the "KNC") regarding its Bull River Mine Project. The Capacity Funding Agreement provides a framework for the purposes of information sharing and engagement, and where appropriate, accommodation, between the Company and Ktunaxa First Nations. The Company has commitments of up to \$140,000 for the purpose of defraying the costs incurred by the KNC in carrying out and completing the regulatory review of the Bull River Mine application in addition to other engagement activities between the Company and the Ktunaxa First Nations.

**CANADIAN CRITICAL MINERALS INC.**  
**(formerly BRAVEHEART RESOURCES INC.)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2023 and 2022**  
(In Canadian dollars)

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See also note 9 for discussion of NSR commitments associated with the royalty agreement.

**19. EVENTS AFTER THE REPORTING PERIOD**

On June 19, 2023 the Company issued 7,000,000 units at \$0.05 per unit for \$350,000. Each Unit is to consist of one Common Share and one common share purchase warrant, which warrant shall be comprised of (i) one-half of one warrant, with a full warrant exercisable into one common share at an exercise price of \$0.075 for a period of 24 months, and (ii) one-half of one warrant, with a full warrant exercisable into one Warrant Share at an exercise price of \$0.10 for a period of 24 months.

On July 19, 2023, the Company granted 9,850,000 options at a strike price of \$0.05 and an expiry date of three years to directors, officers, employees, and consultants. 6,280,556 options at a strike price of \$0.18 expired unexercised.

14,323,130 common share purchase warrants expired unexercised.