



SANDFIRE RESOURCES AMERICA INC.

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(in Canadian dollars)

FOR THE THREE AND SIX MONTHS ENDED
December 31, 2022 AND 2021

SANDFIRE RESOURCES AMERICA INC.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying interim condensed consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

February 28, 2023

SANDFIRE RESOURCES AMERICA INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
AS AT December 31, 2022 and JUNE 30, 2022
(Unaudited - Expressed in Canadian Dollars)

	December 31, 2022	June 30, 2022
ASSETS		
Current		
Cash and cash equivalents	\$ 471,372	\$ 94,535
Prepaid expenses and other assets	596,532	520,833
	1,067,904	615,368
Non-current		
Property, plant, and equipment (Note 6)	10,981,502	10,464,040
Resource properties (Note 8)	8,923,242	8,281,173
Right of use assets (Note 7)	94,896	113,827
Reclamation bond (Note 8)	600,756	570,776
Prepaid mining property tax (Note 8)	592,028	562,484
	21,192,424	19,992,300
Total assets	\$ 22,260,328	\$ 20,607,668
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 9)	\$ 967,653	\$ 1,726,675
Lease liabilities – current portion (Note 7)	15,931	43,017
Interest payable – related party (Note 11)	597,560	123,778
Loans payable – related party, net of discount (Note 11)	22,855,233	13,990,105
	24,436,377	15,883,575
Long-term		
Lease liabilities (Note 7)	68,787	67,730
Accrued reclamation and remediation (Note 10)	2,456,087	2,294,959
Total liabilities	26,961,251	18,246,264
SHAREHOLDERS' EQUITY (DEFICIT)		
Share capital (Note 12)	142,457,658	141,927,963
Share-based payment reserve (Note 13)	8,301,841	8,218,446
Foreign currency reserve	13,731	6,416
Accumulated deficit	(155,474,153)	(147,791,421)
Total shareholders' equity (deficit)	(4,700,923)	2,361,404
Total shareholders' equity (deficit) and liabilities	\$ 22,260,328	\$ 20,607,668

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
COMMITMENTS AND CONTINGENCIES (Note 16)

Approved by the Board on February XX, 2023

"Robert Scargill"

Director

"Matt Fitzgerald"

Director

SANDFIRE RESOURCES AMERICA INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE AND SIX MONTHS ENDED December 31, 2022 AND 2021
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2022	2021	2022	2021
EXPENSES				
Director and management fees (Note 14)	\$ 13,780	\$ 17,228	\$ 30,597	\$ 30,823
Depreciation (Notes 6, 7)	62,257	66,510	124,501	132,231
Salary and wages	69,000	100,500	138,000	201,000
Exploration and evaluation costs	2,668,683	5,615,344	5,439,613	7,788,867
Foreign exchange loss (gain)	1,490	(3,064)	8,369	(3,048)
Office, administration and miscellaneous	60,834	226,017	98,504	441,005
Professional fees	214,038	188,499	254,961	485,014
Share-based payments (Note 13)	39,101	10,630	83,395	10,630
Loss from operations	(3,129,183)	(6,221,664)	(6,177,940)	(9,086,522)
OTHER ITEMS				
Interest income	-	3,332	-	3,332
Interest expense (Note 11)	(805,622)	(109,617)	(1,464,902)	(109,617)
Accretion (Note 10)	(20,029)	(28,573)	(39,890)	(41,274)
Loss before income tax	(3,954,834)	(6,356,522)	(7,682,732)	(9,234,081)
Income tax provision	-	-	-	-
Net loss for the period	(3,954,834)	(6,356,522)	(7,682,732)	(9,234,081)
Other comprehensive income gain (loss)				
Foreign currency reserve gain (loss)	(36,026)	(74,050)	7,315	303,275
Net other comprehensive income (loss)	(36,026)	(74,050)	7,315	303,275
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	\$ (3,990,860)	\$ (6,430,572)	\$ (7,675,417)	\$ (8,930,806)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	1,023,352,794	1,023,283,563	1,023,352,794	1,023,268,094

SANDFIRE RESOURCES AMERICA INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (DEFICIT)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2022 AND 2021
(Unaudited – Expressed in Canadian Dollars)

	Share Capital		Share-based Payment Reserve	Foreign Currency Reserve	Accumulated Deficit	Total
	Number of Shares	Amount \$	\$	\$	\$	\$
Balance at July 1, 2021	1,023,252,794	140,073,275	8,007,572	(382,441)	(128,821,336)	18,877,070
Loss for the period	-	-	-	-	(9,234,081)	(9,234,081)
Other comprehensive loss	-	-	-	303,275	-	303,275
Shares issued on exercise of options	100,000	11,374	(5,374)	-	-	6,000
Share-based payments	-	-	13,920	-	-	13,920
Balance at December 31, 2021	1,023,352,794	140,084,649	8,016,118	(79,166)	(138,055,417)	9,966,184
Balance at July 1, 2022	1,023,352,794	141,927,963	8,218,446	6,416	(147,791,421)	2,361,404
Loss for the period	-	-	-	-	(7,682,732)	(7,682,732)
Other comprehensive loss	-	-	-	7,315	-	7,315
Contribution by parent associated with loan (Note 11)	-	529,695	-	-	-	529,695
Share-based payments	-	-	83,395	-	-	83,395
Balance at December 31, 2022	1,023,352,794	142,457,658	8,301,841	13,731	(155,474,153)	(4,700,923)

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

SANDFIRE RESOURCES AMERICA INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2022 AND 2021
(Unaudited - Expressed in Canadian Dollars)

	2022	2021
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the period	\$ (7,682,732)	\$ (9,234,081)
Items not involving cash:		
Depreciation (Notes 6 and 7)	124,798	132,231
Accretion of accrued reclamation and remediation (Note 10)	39,890	90,113
Accretion of interest on lease liabilities (Note 7)	2,685	3,295
Accretion of interest on loan payable – related party (Note 11)	944,031	-
Share-based payments (Note 13)	83,395	13,920
	(6,487,933)	(8,994,522)
Changes in operating assets and liabilities		
Prepaid expenses and other assets	(75,699)	(18,150)
Accounts payable and accrued liabilities	(759,022)	2,107,724
Accrued interest payable – related party	473,782	-
Interest paid	-	(62,999)
Cash used in operating activities	(6,848,872)	(6,967,947)
INVESTING ACTIVITIES		
Purchase of property, plant, and equipment (Note 6)	(511,540)	(561,552)
Refund (deposit) of reclamation bond (Note 8), net	-	(320,820)
Acquisition of resource properties (Note 8)	(69,616)	(309,220)
Cash used in investing activities	(581,156)	(1,191,592)
FINANCING ACTIVITIES		
Payments on leases (Note 7)	(36,669)	(33,452)
Proceeds from loan payable – related party (Note 11)	7,610,491	8,859,004
Proceeds from exercised of stock option	-	6,000
Cash provided by financing activities	7,573,822	8,831,552
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	143,794	672,013
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	233,043	300,402
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	94,535	4,164,711
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 471,372	\$ 5,137,126

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1. NATURE OF OPERATIONS AND GOING CONCERN

Sandfire Resources America Inc. (the "Company") (TSX.V SFR.V) was incorporated on July 30, 1998 under the laws of British Columbia and is a mining exploration and development company. The Company is an 86.9% subsidiary of Sandfire Resources Ltd., a public company in Australia. The address of the Company's corporate and head office is 10th Floor, 595 Howe Street, Vancouver, British Columbia, V6C 2T5, Canada. The Company's stock symbol is "SFR.V" on the TSX Venture Exchange and "SRAFF" on the U.S. OTC Market.

During the six months ended December 31, 2022, the Company incurred a net loss of \$7,682,732, the Company's cash and cash equivalents was \$471,372 and working capital was negative \$23,368,473. The Company filed the Black Butte Copper Project Technical Report on December 10, 2020. During the year ended June 30, 2022 and during the six months ended December 31, 2022, Tintina Montana Inc. ("TMI") and the Company as guarantor, entered into various Bridge Loan Agreements, denominated in USD with Sandfire Resources Ltd (parent) for short-term funding of day-to-day operations. The Company will have to raise additional funds to meet planned 2022/23 drilling expenses and future work plans.

A final Environmental Impact Statement (EIS) was issued on March 13, 2020 by the Montana Department of Environmental Quality ("MT DEQ") which was followed by a DEQ positive record of decision following on April 9, 2020 which will allow development and underground mining of the Johnny Lee deposit at the Black Butte Copper Project to proceed. On August 14, 2020, the MT DEQ issued a final approval for the Phase I Bonding for the underground Black Butte Copper project (the "Project"). The MT DEQ has approved the bond posting and has issued a Final Mine Operating Permit allowing the Company the right to commence Phase I Development surface construction at the mine site. The Company is yet to achieve profitability and has incurred significant losses and negative cash flows from operations. The Company has concluded that the working capital as held at December 31, 2022 is insufficient to fund all committed and non-discretionary expenditures for at least the next twelve months. Unless additional funds are raised, the Company may have insufficient funds to realize its assets and discharge its liabilities in the normal course of business.

In November 2022, the Company received the necessary permits to divert groundwater for use in the mining of the Johnny Lee copper deposit and to store high-water flows for stream flow maintenance. The DNRC also approved the Company's change applications to use six existing water rights to mitigate surface water flow reductions resulting from the groundwater diversion. Water right permits and change applications are issued by the DNRC in accordance with the Montana Water Use Act. The ability of the Company to obtain necessary financing to commence the full development and construction is not certain.

The conditions described above indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The Company plans to address this uncertainty by raising additional funds in the capital markets or through debt financing in fiscal year 2023. Many factors influence the Company's ability to raise funds, and there is no assurance that the Company will be successful in obtaining the required financing for these or other purposes, including for general working capital. These financial statements do not contain any adjustments to the amounts that may be required should the Company be unable to continue as a going concern. Such adjustments could be material.

Since March 2020, several governmental measures have been implemented in the United States, where the Company's operations are located and the rest of the world in response to the coronavirus (COVID-19) pandemic. While the impact of COVID-19 and these measures are expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on the Company's

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business operations cannot be reasonably estimated at this time. The Company anticipates this could have an adverse impact on its business, results of operations, financial position, and cash flows into 2023. The Company continues to operate its business, and in response to US Federal and State and Canadian Federal and Provincial emergency measures, has requested its employees and consultants work remotely if exposed to COVID-19 or showing symptomatic signs of COVID-19. Though certain restrictions have been lifted during the year, these government measures, which could include government mandated closures of the Company or its contractors, could impact the Company's ability to conduct its planned programs in a timely manner.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS"). For these purposes, IFRS comprise the standards issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). Accounting policies applied are consistent with those of the previous financial year.

b) Basis of preparation

These consolidated financial statements have been prepared under the historical cost basis.

c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned US subsidiary, Tintina Montana Inc. ("TMI"), which was incorporated in the United States. TMI wholly owns the Black Butte copper underground project. All intercompany balances and transactions have been eliminated on consolidation. The Company consolidates subsidiaries where it has the ability to exercise control. Control of an investee is defined to exist when the investor is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Particularly, the Company controls investees, if and only if, the Company has all of the following: power over the investee; exposure, or rights to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns.

d) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise of cash at banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash. The Company's cash and cash equivalents are invested with major financial institutions in business accounts, bankers' acceptances and in government treasury bills which are available on demand by the Company for its programs and are not invested in any asset backed deposits/investments.

e) Resource properties and exploration and evaluation expenditures

Resource properties consist of payments to acquire property rights and leases, including on-going annual lease payments and water rights payments. Property acquisition costs are capitalized.

Exploration and evaluation expenditure include costs associated with exploring, investigating, examining, and evaluating an area of mineralization, and assessing the technical feasibility and

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commercial viability of extracting the mineral resource from that area. Exploration and evaluation expenditure incurred on an area where the commercial viability of extracting the mineral resource has not yet been established is expensed when incurred. Once the technical feasibility and commercial viability of extracting the mineral resource is demonstrable, then any further evaluation costs incurred are capitalized. The recoverability of the resource property is dependent on the successful development and commercial exploration, or alternatively, sale of the respective area of interest.

A resource property is reclassified to mineral properties in PPE when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Resource properties are assessed for impairment once it is determined that they are technically feasible and commercially viable, and any impairment loss is recognized before reclassification to mine properties. In addition, resource properties are assessed for indicators of impairment at each reporting period. No amortization is charged during the exploration and evaluation phase.

At each reporting period, the Company assesses whether there is an indication that resource properties may be impaired. When impairment indicators exist, or when the decision to proceed with the development of a particular project is taken based on its technical and commercial viability, the Company estimates the recoverable amount of resource properties and compares it against the carrying amount. The recoverable amount is the higher of the fair value less cost of disposal and the resource property's value in use. If the carrying value exceeds the recoverable amount, an impairment loss is recorded in the consolidated statement of loss and comprehensive loss for the period. In calculating the recoverable amount, the Company will look at market comparable transactions or when appropriate, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the resource property. The cash flows are based on best estimates of expected future cash flows from the continued use of the resource property.

Once a mine has achieved commercial production, resource properties are depleted on a units-of-production basis over the life of the mine.

f) Property, plant, and equipment

Property, plant, and equipment ("PPE") is stated at cost less accumulated depreciation and accumulated impairment losses. PPE can include capitalized borrowing costs where relevant. PPE also includes the initial estimate of reclamation and remediation obligation. Depreciation is recorded over the estimated useful lives of the assets on a straight-line basis as follows:

	Straight line - Useful life (in years)
Equipment	3 - 10
Vehicle	5 - 10
Buildings	20 - 25
Leasehold Improvements	Over the term of the Lease

For PPE assets under construction, depreciation begins once the asset is placed in service which typically occurs when Company begins receiving economic benefit from the use of the asset. Assets under construction include roads, fencing, tailings facility, and land improvements. and will be depreciated in accordance with the Company's depreciation policy once placed in service, typically on a units of production basis over the life of mine. Borrowing costs incurred in financing expenditures for an asset under construction are capitalized during the period of construction.

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An item of PPE 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 consolidated statement of loss and comprehensive loss. Where an item of PPE comprises major components with different useful lives, the components are accounted for as separate items of PPE. Expenditures incurred to replace a component of an item of PPE that is accounted for separately, including major inspection and overhaul expenditures are capitalized. The assets' residual values, useful lives, and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

g) Foreign currency translation

The Company's consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency. Each subsidiary determines its own functional currency and items included in the financial statements of each subsidiary are measured using that functional currency.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Company and its subsidiary at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are recognized in net loss before comprehensive loss except for monetary items that are designated as part of the Company's net investment of a foreign operation. These are recognized in other comprehensive income (loss) until the net investment is disposed, at which time the accumulated amount is reclassified to the statement of loss and comprehensive loss.

ii) The Company and its subsidiary

On consolidation the assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and their statement of loss and comprehensive loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of loss and comprehensive loss. The functional currency of the Company's subsidiary, TMI, is the US dollar.

h) Reclamation and remediation

The Company recognizes liabilities for statutory, contractual, constructive, or legal obligations, including those associated with the reclamation of property, plant and equipment, and of exploration and evaluation assets, when those obligations result from the acquisition, construction, development, or normal operation of the assets. Initially, a liability for rehabilitation obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made.

The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. The associated restoration costs are amortized over the expected useful life of the

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assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates.

The Company recognizes its environmental liability when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to the consolidated statement of loss and comprehensive loss.

i) Other provisions

Provisions are recognized for liabilities of uncertain timing or amounts that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date. The Company had no other provisions as at December 31, 2022 and 2021.

j) Share-based payments

Employees receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is recognized, together with a corresponding increase in the share-based payment reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in statement of loss and comprehensive loss for a period represents the movement in cumulative expense recognized for the period. No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The cost of the share-based payments are based upon fair value of the share or option on the award's grant date.

When the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met.

k) Loss per share

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

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l) Income taxes

i) Current income tax

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the statement of financial position date and includes any adjustments to tax payable or receivable in respect of previous years.

ii) Deferred tax

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of goodwill, or assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

Deferred tax is not recognized for all temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

m) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. All financial instruments are initially recorded at fair value, adjusted for directly attributable transaction costs. The Company determines each financial instrument's classification upon initial recognition. Measurement in subsequent periods depends on the financial instrument's classification.

Financial assets

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Financial assets are classified and measured at: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") and amortized cost. Measurement and classification of financial assets is dependent on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset i.e., whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets at amortized cost

The Company measures financial assets at amortized cost if both of the following conditions: the financial asset is held with the objective to collect contractual cash flows; and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest ("SPPI"). This is referred to as the SPPI test. Financial assets at amortized cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Interest received is recognized as part of finance income. Gains and losses are recognized when the asset is derecognized, modified, or impaired. The Company's financial assets at amortized cost include cash and cash equivalents, reclamation bonds, and other assets.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value i.e., fail the SPPI test. Derivatives are classified as held for trading unless they are designated as effective hedging instruments. Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss. An embedded derivative will often make a financial asset fail the SPPI test thereby requiring the instrument to be measured at FVTPL in its entirety. The Company has no financial assets classified as FVTPL.

Impairment

An expected credit loss ("ECL") impairment model applies which requires a loss allowance to be recognized based on ECLs. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original EIR, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial assets at FVTPL or FVOCI

The Company has no financial assets classified as FVTPL or FVOCI.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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Loans and borrowings and payables

After initial recognition, interest-bearing loans and borrowings and trade and other payables are subsequently measured at amortized cost using the effective interest method ("EIR"). Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of loss and comprehensive loss. Gains and losses are recognized when the financial liability is derecognized. The Company's financial liabilities at amortized cost include accounts payable and accrued liabilities and loans payable.

A financial liability is derecognized when the associated obligation is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of loss and comprehensive loss.

Financial liabilities at FVTPL

The Company has no financial liabilities classified as FVTPL.

n) Fair value measurement

The Company discloses the fair value of financial instruments at each reporting date. Also, from time to time, the fair values of non-financial assets and liabilities are required to be determined, e.g., when the entity acquires a business, or where an entity measures the recoverable amount of an asset at fair value less costs of disposal ("FVLCD").

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (an exit price) regardless of whether that price is directly observable or estimated.

o) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive right, then the asset is not identified.
- The Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the

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asset is used is predetermined, the Company has the right to direct the use of the asset if either:

- The Company has the right to operate the asset; or
- The Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component based on their relative stand-alone prices.

The Company recognizes a right-to-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-to-use asset or the end of the lease term. The estimated useful life of the right-to-use assets are determined on the same basis as those of property, plant, and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments.
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date.
- amounts expected to be payable under a residual value guarantee; and
- the exercise prices under a purchase price option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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The preparation of these consolidated financial statements involves the use of judgments and estimates and from assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances at the time, having regard to prior experience, and are continually reviewed and evaluated. Estimates are inherently uncertain and actual results may differ from the amounts included in the financial statements. Revisions to the estimates and assumptions are recognized in the period in which the estimates are revised and in future periods.

Impairment of resource properties

Determining if there are any facts and circumstances indicating impairment loss on resource properties is a subjective process involving judgment and a number of estimates and interpretations in many cases. Determining whether to test for impairment of resource properties requires management's judgment, among others, regarding the following:

- 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.
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and
- 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.

Impairment assessments for resource properties require the use of estimates and assumptions such as long-term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, closure and rehabilitation costs, exploration potential, and resources. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets. In such circumstances, some or all of the carrying amount of the assets may be further impaired or the impairment charge reduced with the impact recognized in the consolidated statement of operations and other comprehensive income.

These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses could differ in such a situation and significant adjustments to the Company's earnings may occur in future periods.

Impairment of PPE:

Determining if there are any facts and circumstances indicating impairment loss on PPE is a subjective process involving judgment and a number of estimates and interpretations in many cases. Impairment exists when the carrying value of PPE exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow model. The recoverable amount is sensitive to the discount rate used for the model as well as the expected future cash-inflows and the growth rate used

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for extrapolation purposes. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses could differ in such a situation and significant adjustments to the Company's earnings may occur in future periods.

Determination of technical feasibility and commercial viability of extracting a resource property

The application of the Company's accounting policy for exploration and evaluation assets requires determining when technical feasibility and commercial viability have been demonstrated involves significant judgement, particularly in relation to projects where feasibility assessment may be ongoing over an extended period of time.

In making this determination, management assesses whether a final investment decision has been approved by the Company's board of directors which is an indication that technical feasibility and commercial viability of a project. Absent this approval, other factors are considered, such as the booking of significant quantities of commercial reserves, approval of budgeted expenditure to commence commercial development activities or the actual commencement of expenditure on development activities. As at December 31, 2022, the Company has determined that they are in the exploration and evaluation stage as they are awaiting the resolution of the legal challenge against the MT DEQ decision to issue the ROD for the approval of the mine and the objections to the water permit application as discussed below.

Accrual of reclamation and remediation costs

In determining accrued reclamation and remediation costs, the calculation of discounted cash flows includes various factors that require estimates and judgments including the extent and costs of reclamation and remediation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. The accrued reclamation and remediation costs are subsequently accreted to its full value over time through charges to the Consolidated Statements of Loss and Comprehensive Loss. The ultimate magnitude of these costs is uncertain, and cost estimates can vary in response to many factors including changes to the relevant legal requirements, whether closure plans achieve intended reclamation goals, and the emergence of new restoration techniques or experience. The expected timing of expenditures can also change. As a result, there could be significant adjustments to the provision for rehabilitations, which would affect future financial results.

4. NEW AND AMENDED ACCOUNTING STANDARDS

New accounting standard effective for annual periods on July 1, 2022:

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to International Accounting Standards Board ("IAS") 16: The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PPE), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. This amendment became effective for the Company on July 1, 2022 and did not have any impact on the Company's consolidated financial statements.

Reference to the Conceptual Framework – Amendments to IFRS 3: The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires

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entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. This amendment became effective for the Company on July 1, 2022 and did not have any impact on the Company's consolidated financial statements.

5. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective. New accounting standard effective for annual periods on or after July 1, 2022:

Classification of Liabilities as Current or Non-current - Amendments to IAS 1: The amendments specify the requirements for classifying liabilities as current or non-current. The amendment clarify 1) what is meant by the right to defer settlement; 2) that a right to defer must exist at the end of the reporting periods; 3) that classification is unaffected by the likelihood that an entity will exercise its deferral right; and 4) that only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification. These amendments are effective for the Company on July 1, 2023. The Company does not believe that adoption of this standard would have a significant impact on its financial statements.

Definition of Accounting Estimates - Amendments to IAS 8: The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The Company will apply these provisions prospectively beginning July 1, 2023 as permitted by the amendment. The Company does not believe that adoption of this standard would have a significant impact on its financial statements.

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6. PROPERTY, PLANT, AND EQUIPMENT

Cost	Equipment	Vehicle	Buildings	Leasehold Improve- ments	Assets Under Construction	Land	Total
Opening balances as of June 30, 2021	\$344,290	\$259,727	\$1,335,392	\$244,238	\$8,365,397	\$267,211	\$10,816,255
Additions	77,138	130,484	40,383	-	170,433	1,004,009	1,422,447
Disposals	(102,102)	-	-	-	-	-	(102,102)
Recission of land purchase	-	-	-	-	-	(1,107,139)	(1,107,139)
Revaluation of reclamation and remediation asset	-	-	-	-	(236,868)	-	(236,868)
Transfers	-	-	74,128	-	(111,701)	37,573	-
Currency translations	9,130	9,787	50,325	9,204	315,034	10,071	403,551
As of June 30, 2022	328,456	399,998	1,500,228	253,442	8,502,295	211,725	11,196,144
Additions					69,616		69,616
Currency translations	17,252	21,010	78,800	13,312	446,572	11,120	588,066
As of December 31, 2022	\$345,708	\$421,008	\$1,579,028	\$266,754	\$9,018,483	\$222,845	\$ 11,853,826
Accumulated Depreciation							
Opening balances as of June 30, 2021	\$178,289	\$113,930	\$265,350	\$96,700	\$ -	\$ -	\$654,269
Additions	23,012	45,032	67,495	21,034	-	-	156,573
Disposals	(102,102)	-	-	-	-	-	(102,102)
Currency translations	3,283	5,094	10,968	4,019	-	-	23,364
As of June 30, 2022	102,482	164,056	343,813	121,753	-	-	732,104
Additions	16,989	29,555	39,727	13,748			100,019
Currency translations	5,679	9,134	18,752	6,636			40,201
As of December 31, 2022	\$125,150	\$202,745	\$402,292	\$142,137	\$ -	\$ -	\$872,324
Net book value							
As of June 30, 2022	\$225,974	\$235,942	\$1,156,415	\$131,689	\$8,502,295	\$ 211,725	\$10,464,040
As of December 31, 2022	\$220,558	\$218,263	\$1,176,736	\$124,617	\$9,018,483	\$222,845	\$10,981,502

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At December 31, 2022, assets under construction consist of roads, pit, land improvements, fencing, and reclamation and remediation asset. These assets will be placed in service once mining and milling of the property begins.

7. RIGHT TO USE ASSETS AND LEASE LIABILITIES

The Company has lease contracts for various offices, houses, and vehicles. It does not have any subleases. As at December 31, 2022, lease liabilities have a remaining lease term of five years and were determined using an effective interest rate of 5%. The undiscounted cash-flows over the remaining lease term are approximately five years.

Right to Use Assets	Office Building	Houses	Total
As of June 30, 2021	\$ 119,031	\$ 36,262	\$155,293
Depreciation	(21,856)	(24,652)	(46,508)
Currency translations	4,113	929	5,042
As of June 30, 2022	101,288	12,539	113,827
Depreciation	(11,655)	(13,124)	(24,779)
Currency translations	5,263	585	5,848
As of December 31, 2022	\$ 94,896	\$ -	\$ 94,896

Lease Liabilities			
As of June 30, 2021	\$115,970	\$37,243	\$153,213
Payments	(25,147)	(25,835)	(50,982)
Interest expense	3,007	579	3,586
Currency translations	3,978	952	4,930
As of June 30, 2022	97,808	12,939	110,747
Payments	(23,088)	(13,581)	(36,669)
Interest expense	2,489	196	2,685
Currency translations	7,509	446	7,955
As of December 31, 2022	84,718	-	84,718
Less current portion	15,931	-	15,931
Long-term portion	\$ 68,787	\$ -	\$ 68,787

At December 31, 2022, the total of future minimum lease payments under the leases are as follows:

\$ -	From January 1, 2023 to December 31, 2023
59,996	From January 1, 2024 to December 31, 2026
39,997	From January 1, 2027 to January 1, 2028
\$ 99,993	Total

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8. RESOURCE PROPERTIES AND EXPLORATION AND EVALUATION COSTS

Additions to resource properties during the three and six months ended December 31, 2022 and 2021 were as follows:

	For the three months ended December 31,		For the six months ended December 31	
	2022	2021	2022	2021
Beginning balance	\$ 9,114,194	\$ 7,297,832	\$ 8,281,173	\$ 6,974,172
Acquisition costs for the period	300,000	94,918	511,540	267,464
Currency translation	(490,952)	(9,973)	130,529	141,141
Ending balance	\$ 8,923,242	\$ 7,382,777	\$ 8,923,242	\$ 7,382,777

i) Black Butte Copper 2010 Leases

On May 2, 2010, the Company, through its wholly-owned subsidiary, TMI, entered into mining lease agreements and a surface use agreement (collectively, the "Black Butte Agreements") with the owners of the Black Butte copper-cobalt-silver property in central Montana, United States. This portion of the Black Butte property consists of approximately 7,684 acres of fee-simple lands and 4,541 acres in 239 Federal unpatented lode mining claims in central Montana.

The Black Butte Agreements, as amended, provide the Company, through TMI, with exclusive use and occupancy of any part of the property that is necessary for exploration and mining activities for an initial term of 30 years, which can be extended by the Company for additional periods of 10 years by giving prior notice within the time specified in the agreements. The Black Butte Agreements also provide for surface lease payments and advance minimum royalty payments to be paid to the lessors, in total of approximately US\$12,400,000 in cash and a Net Smelter Returns ("NSR") royalty of 5% after commencement of commercial production, if any. At any time after completion of a feasibility study, the Company has the right to buydown the maximum 5% NSR to 2% by making payments to the lessors in total of US\$10,000,000.

On December 11, 2020, per Black Butte Agreements, the Company gave the owners notification to exercise a purchase option in the agreement on the basis that they had finalized the technical report. At each owner's sole option, by June 12, 2021, they could elect to transfer title to all or part of their interest of the mine property to the Company who had to accept. An owner opted not to sell requiring the Company to begin paying the owner US\$4,293 annually over the next twenty years beginning in June 2021.

Separately, the Company has an agreement with another property owner, Bar Z Ranch, Inc. ("Bar Z") whereby the Company paid an additional US\$80,123 in both 2021 and 2022 to maintain an option to purchase the owner's property rights for US\$700,000 before July 1, 2023.

The following is a schedule of payments excluding the US\$700,000 option payment, translated to Canadian dollars, as at December 31, 2022.

Payments 1

\$ 5,785,895	Total paid from May 2, 2010 to May 2, 2022
10,818,465	\$601,026 annually on May 2 from 2023 to 2040
16,604,360	Total lease payments, excluding buydown of NSR royalty of 5%

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ii) Black Butte Copper 2011 Leases

In June 2011, the Company, through its subsidiary, staked an additional 286 claims on federal lands and entered into mining lease agreements. The additional mining lease agreements were entered under similar terms as the Black Butte Agreements as described above. The Company was granted the sole and exclusive use and occupancy of any part of the property that is necessary for exploration and mining activities for an initial term of 30 years, which can be extended by the Company for additional periods of 10 years by giving prior notice within the time specified in the agreements. The additional Black Butte Agreements provide for prior to commercial production, advance minimum royalty payments to be paid to the lessors, in total of US\$1,250,000 in cash (schedule Payments 2), and a NSR royalty of 5% after commencement of commercial production, if any. At any time after completion of a feasibility study, the Company has the right to buydown the maximum 5% NSR to 2% by making payments to the lessors in total of US\$5,000,000. The following is a schedule of payments, translated to Canadian dollars, as at December 31, 2022:

Payments 2

\$ 407,478	Total paid from June 10, 2011 to June 10, 2022
108,319	On June 10, 2023 and 2024 (\$54,160 each year)
189,557	On June 10, 2025, on June 10, 2026, and on June 10, 2027 (\$63,186 each year)
947,787	\$67,699 annually on June 10 from 2028 to 2041
<u>\$ 1,653,141</u>	<u>Total lease payments, excluding buydown of NSR royalty of 5%</u>

iii) Lease and Water Use Agreement

On October 15, 2015, the Company, through TMI, entered into a Lease and Water Use Agreement to lease the water rights to certain locations in Meagher County, Montana for a term of 30 years. The Company shall pay the owner the sum of US\$20,000 per year, increasing to US\$100,000 year upon actual mining and production of minerals at the Black Butte Copper property. The Company can terminate the lease and water use agreement at its option. During the six months ended December 31, 2022 and 2021, the Company paid \$27,675 and \$25,387, respectively, in accordance with the terms of this agreement.

iv) Mining Lease Agreement

On September 13, 2017, the Company, through TMI, entered into a Mining Lease Agreement for the purpose of mineral exploration and mining in certain lands located in Meagher County, Montana for an initial term of 30 years. In consideration, the Company shall pay the owner an advance minimum royalty payment, in total of US\$555,000 in cash (schedule Payments 3), and a NSR royalty of 5% after commencement of commercial production, if any. At any time after completion of a feasibility study, the Company has the right to buydown the maximum 5% royalty to 2% in return for a payment of US\$5,000,000 divided pro rata among the mineral owners, and an option to renew the lease for five years. The Company can terminate the mining lease agreement at its option. The payment made in September 2022 was CDN \$6,545. The following is a schedule of payments, translated to Canadian dollars, as at December 31, 2022:

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Payments 3

\$ 38,714	Total paid from execution of the lease to December 31, 2022
13,540	Due September 1 2023
54,159	\$13,540 annually on September 1 from 2024 to 2027
101,549	\$20,310 annually on September 1 from 2028 to 2032
135,398	\$27,080 annually on September 1 from 2033 to 2037
406,195	\$40,619 annually on September 1 from 2038 to 2047
\$ 749,555	Total lease payments, excluding buydown of NSR royalty of 5%

v) Reclamation Bond

The Company had reclamation bonds of \$613,612 and \$570,776 held with MT DEQ as at December 31, 2022 and June 30, 2022, respectively.

vi) Prepaid Mining Property Tax

During the year ended June 30, 2021, the Company was required per its August 2018 Hard Rock Mining Impact Plan (HRMIP) to make mine property tax prepayment of \$593,987 (\$437,000 USD) to cover the immediate impacts for the City of White Sulphur Springs and Meagher County resulting from the planned development of the Black Butte Project. The prepayment will be credited against future property taxes due once the resource taxable assets are constructed and added to the Meagher County property tax lists of taxable assets for the Company. The prepaid mining property tax balance at December 31, 2022 and June 30, 2022 is \$604,697 and \$562,484, respectively.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company had the following accounts payables and accrued liabilities at December 31, 2022 and June 30, 2022.

	December 31, 2022	June 30, 2022
Trade payables	\$ 621,604	\$ 806,596
Accrued liabilities and other	162,524	758,613
Accrued salaries and payroll	183,526	285,244
	\$ 967,654	\$ 1,850,453

10. ACCRUED RECLAMATION AND REMEDIATION

Activity in the related accrued reclamation and remediation balance for the three and six months ended December 31, 2022 and 2021 is as follows:

	For the three months ended December 31,		For the six months ended December 31	
	2022	2021	2022	2021
Balance, beginning of period	2,470,786	2,462,699	\$ 2,294,959	\$ 2,397,912
Accretion	20,029	41,274	39,890	90,113
Currency translation	(34,728)	(15,948)	121,238	48,839
Balance, end of period	\$ 2,456,087	\$ 2,488,025	\$ 2,456,087	\$ 2,488,025

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11. LOANS PAYABLE – RELATED PARTY

During the year end June 30, 2022 and through the six months ended December 31, 2022, TMI and the Company as guarantor, entered into various Bridge Loan Agreements with Sandfire Resources Ltd (parent) for short-term funding of day to day operations up to an aggregate of up to US\$22.0 million. To date, US\$15.47 million has been borrowed. The date of each outstanding loan agreement and the amount borrowed, translated to Canadian dollars, are as follows as of December 31, 2022:

Date of Loan	
September 20, 2021	\$ 3,801,993
December 15, 2021	5,167,368
February 28, 2022	4,431,812
April 21, 2022	1,878,734
July 5, 2022	522,554
July 29, 2022	326,597
August 9, 2022	901,548
August 22, 2022	782,408
September 14, 2022	657,673
September 28, 2022	423,316
September 30, 2022	961,327
October 13, 2022	350,736
October 28, 2022	667,541
November 10, 2022	554,579
November 22, 2022	482,453
December 8, 2022	285,075
December 21, 2022	694,684
	\$ 22,890,398

The Bridge Loan Agreement, as amended, specify that repayment of the loans was initially the earlier of (i) July 30, 2023 or (ii) 7 days after Sandfire Resources America Inc. completes either a debt or equity financing with gross proceeds of at least US\$30 million.

Interest on the loans is set at 5% per annum and interest is payable on the last day of each calendar month. The stated interest rate of the Bridge Loan was below the market rate for similar loan instruments. For accounting purposes at the date of each advance, we discount the expected payments using a risk-adjusted discount rate and an estimated repayment date. Rates of 13.15% to 16.93% were used for the loans received during the six months ended December 31, 2022 (10.0% to 10.6% for the year ended June 30, 2022). Amounts received in excess of fair value on the date of the advances were credited to Share Capital representing an increase in contribution by Sandfire Resources Ltd.

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A summary of the activity for the six months ended December 31, 2022 and for the year ended June 30, 2022 is as follows:

	Six months ended December 31, 2022	Year ended June 30, 2022
Balance, beginning of period	\$ 13,990,105	\$ -
Additions	7,610,491	15,279,907
Discount due to below-market interest rate, net impact of repayment	(529,695)	(1,843,314)
Accretion of discount	944,031	387,623
Currency translation	840,301	165,889
Balance, end of period	\$ 22,855,233	\$ 13,990,105

	For the three months ended December 31, 2022	2021
Interest expense (including accretion of discount)	\$ 851,452	\$ 109,617

	For the six months ended December 31, 2022	2021
Interest expense (including accretion of discount)	\$ 1,465,667	\$ 109,617

	As at December 31, 2022	As at June 30, 2022
Accrued interest payable	\$ 597,560	\$ 123,778

12. SHARE CAPITAL

- a) Authorized: The Company is authorized to issue an unlimited number of common shares without par value.
- b) Issued and outstanding at December 31, 2022: 1,023,252,794 (June 30, 2022: 1,023,252,794) common shares.

See Consolidated Statements of Changes in Equity for details.

13. STOCK OPTION PLAN AND SHARE-BASED PAYMENTS

On November 1, 2021, the Company established an Omnibus Share Incentive Plan (the "Plan") for certain qualified directors, executives, officers, employees, and consultants. The Plan includes options that were issued under the Company's former stock option plan. Shares delivered under the Plan will generally be from authorized but unissued shares of the Company. The Plan reserves for issuance up to 2.5% of the issued and outstanding share capital of the Company from time to time with the maximum number of shares reserved cannot exceed 102,325,279 shares. Options granted under the Plan are for a term not to exceed 10 years from the date of their grant.

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The Plan allows for awards in the following forms: stock purchase option, restricted share unit, performance share unit or deferred share unit. Options granted under the Plan entitle the recipient to acquire a designed number of shares at a stated exercise price and typically vest over a period specified in the option agreement. DSUs are granted for services rendered, or for future services to be rendered, that typically vest upon issuance. Settlement of DSUs is the date of the recipient's resignation or termination of employment, retirement, or death. To date, no DSUs have been awarded under the Plan. RSUs and PSUs are granted for services rendered, or for future services to be rendered, that vest based on the passage of time during continued employment or other service relationship over a period of determined by the board of directors.

Restricted Share Units ("RSUs"): In December 2021, the Company awarded 1,657,824 RSUs that had a grant date fair value based upon the shares price of the Company's common stock of \$0.19 per RSU or \$314,987 in total. During the three and six months ended December 31, 2022, the Company has recognized \$25,711 (\$2021: \$17,170) and \$53,101 (2021: \$8,118 in compensation expense related to RSUs and expects to record an additional \$86,536 in compensation expense over the next 1.5 years. No RSUs were granted during the three and six months ended December 31, 2022. During the three and six months ended December 31, 2022, no and 78,945 RSUs were forfeited. At December 31, 2022, 526,293 RSUs are vested. The unvested units at December 31, 2022 are scheduled to vest as follows:

During the year ended:	
June 30, 2023	526,293
June 30, 2024	526,293
	<u>1,052,586</u>

Performance Share Units ("PSUs"): In December 2021, the Company awarded 1,105,216 PSUs that had a weighted average grant date fair value of \$0.19 per RSU or \$209,991 in total. These PSUs vest upon completion of the performance period (through 2024) and specific performance conditions set forth for each individual grant for individually defined reporting and operating measurement objectives. The Company determines the factor to be applied to that target number of PSUs, with such percentage based on level of achievement of the performance conditions. Upon the achievement of the conditions, any unvested PSUs become fully vested.

During the three and six months ended December 31, 2022, the Company has recognized \$13,390 (\$2021: \$2,512) and \$30,294 (2021: \$5,314) and expects to record an additional \$106,136 in compensation expense over the next 1.5 years. No PSUs were granted during the three and six months ended December 31, 2022. During the three and six months ended December 31, 2022, no and 52,629 RSUs were forfeited. At December 31, 2022, 70,172 PSUs are vested. The unvested units at June 30, 2022 are scheduled to vest as follows assuming milestones are reached during the year ended June 30, 2024:

During the year ended:	
June 30, 2023	70,172
June 30, 2024	912,242
	<u>982,415</u>

Stock options. No options were granted, expired, nor exercised during the six months ended December 31, 2022 and 2021 and no stock based compensation associated with options was recognized during the three and six months ended December 31, 2022 and 2021. The following table summarizes stock options outstanding and exercisable at December 31, 2022:

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Exercise Price (\$)	Number of Options Outstanding and Exercisable	Weighted Average Remaining Contractual Life (years)
0.11	1,250,000	0.5

14. RELATED PARTY TRANSACTIONS AND BALANCES

The following key management personnel compensation and related party transactions took place during the three and six months ended December 31, 2022 and 2021:

	For the three months ended December 31,		For the six months ended December 31,	
	2022	2021	2022	2021
Short-term benefits	\$ 345,951	\$ 335,979	\$ 649,648	\$ 649,648
Share-based compensation	39,101	13,920	83,395	83,395
Total remuneration	\$ 385,052	\$ 349,899	\$ 733,043	\$ 733,043

The remuneration of directors and other members of key management is included in short-term benefits and share-based payments.

At December 31, 2022 and June 30, 2022, the Company has an account payable to Sandfire Resources Ltd. of \$nil and \$3,555, respectively. See Note 11 for information about the Company's loans payable to Sandfire Resources Ltd (parent). In addition, at December 31, 2022 and June 30, 2022, the Company was owed \$292,155 and \$277,575, respectively, from MATSA, a wholly owned subsidiary of Sandfire Resources Ltd. The amount owed related to a management services agreement between MATSA and the Company, allowing the secondment of key management from the Company to MATSA.

15. SEGMENT INFORMATION

The Company's operations are limited to a single industry segment being the acquisition, exploration, and development of resource properties. The resource properties are located in the State of Montana in the United States.

	Canada	United States	Total
As at December 31, 2022			
Other assets	\$ 45,629	\$ 13,291,458	\$ 13,337,087
Resource properties	-	8,923,242	8,923,242
Total Assets	\$ 45,629	\$ 22,214,700	\$ 22,260,329
Total Liabilities	\$ 57,265	\$ 26,903,987	\$ 26,961,252
As at June 30, 2022			
Other assets	\$ 50,551	\$ 12,275,944	\$ 12,326,495
Resource properties	-	8,281,173	8,281,173
Total Assets	\$ 50,551	\$ 20,557,117	\$ 20,607,668

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		Canada		United States		Total
Total Liabilities	\$	125,136	\$	18,121,128	\$	18,246,264
Loss before income tax for three months ended December 31, 2022	\$	(292,807)	\$	(3,662,027)	\$	(3,954,834)
Loss before income tax for three months ended December 31, 2021	\$	(246,146)	\$	(6,110,376)	\$	(6,356,522)
Loss before income tax for six months ended December 31, 2022	\$	(390,632)	\$	(7,292,100)	\$	(7,682,732)
Loss before income tax for six month periods December 31, 2021	\$	(565,260)	\$	(8,668,821)	\$	(9,234,081)

16. COMMITMENTS AND CONTINGENCIES

The Company has commitments to incur lease payments as disclosed in Note 7 and resource property payments as disclosed in Note 8.

Permit. On June 4, 2020, a legal challenge to the MT DEQ's Record of Decision was lodged in the 14th Judicial Court in Meagher County, Montana against the MT DEQ and TMI by four groups who oppose resource development in Montana. Through 2020 and 2021 all sides issued numerous legal filings resulting in an Administrative Record of approximately 90,000 pages. On July 16, 2021, District Court Judge Bidegaray heard oral arguments for summary judgement from plaintiffs and defendants regarding a legal complaint filed on June 4, 2020 by the plaintiffs claiming to represent the environmental community. The suit was filed jointly against the MT DEQ and TMI. On April 8, 2022, Judge Bidegaray ruled in favor of the plaintiffs. The Company and plaintiffs supplied recommendations for remedies for her ruling to the judge in early June 2022, followed by filing of a joint recommendation for remedies on July 1, 2022. On July 5, 2022, the District Court issued an order on remedies that will allow Phase I Construction of the Black Butte Copper Project to be completed under the existing permit and vacate the remainder of the permit with remand to the MT DEQ for further review. On July 28, 2022, The Company and the MT DEQ filed a notice of appeal of the District Courts final order to Montana Supreme Court. On November 2, 2022, the Company filed an initial brief to the Montana Supreme Court.

The legal challenge does not prohibit further Phase I development activities, but delays startup of Phase II construction continues. These and any future legal challenges could have a material adverse effect on the Company, including that they may ultimately preclude construction of a mine at the Black Butte Copper Project.

Water rights: The Company currently has a lease arrangement with two local ranches to lease sufficient water rights to allow mining and processing operations to proceed. The leased water rights must be modified through an administrative proceeding with the MT DNRC to be used to mitigate the beneficial use of water pumped out of the Black Butte operations for mineral processing. This administrative proceeding determines if the modifications meet the statutory criteria. Once the MT DNRC approves the modifications, the agency's decision is subject to objection and appeal by affected parties.

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The Black Butte Copper Project, operated by TMI proposed underground copper mine is located in the Smith River watershed which is 'closed' to filing of any additional water rights appropriations. For use of water from the mine, other water use must be retired to make the needed water volumes available for the mine. In September 2018, the water rights owners who lease water to the Black Butte Copper Project submitted six change applications to the Montana Department of Resources and Conservation (MT DNRC) requesting modifications of their water rights to allow them to use the water for mitigation and leasing as well as irrigation. With these, TMI jointly applied for a ground water right, contingent on the success of the change applications and mitigation plan, and a high water right which would allow TMI to capture and pond excess spring flows for mitigation use throughout the year. On March 13, 2020, the MT DNRC issued Preliminary Determinations to Grant (PDG's) for the water right changes. During the following appeal period, six parties filed objections to the PDG's -- these were the Newlan Creek Water Users Association (NCWUA); the Montana Fish Wildlife and Parks (MT FWP); and four conservation groups (Conservation Objectors) who filed a joint objection. The Conservation Objectors raised issues of legal availability, adverse effects, and adequacy of proposed diversions. They also claimed that the MT DNRC failed to recognize that mine water discharged from the mine will have been put to beneficial use and so would require additional mitigation.

After a short period of negotiations, TMI and NCWUA reached an agreement and NCWUA pulled their objection. TMI also began negotiations with MT FWP. The MT DNRC appointed a Hearings Examiner to hear the objections. On February 23, 2022, the Hearings Examiner granted a motion on behalf of the applicants for a Partial Summary Judgement that upheld the MT DNRC interpretation that direct discharge of dewatered mine water does not constitute a beneficial use of water. On March 14, 2022, the Conservation Objectors indicated that they intended to appeal the Partial Summary Judgement. Subsequent negotiations between TMI and the Conservation Objectors resulted in three fully executed agreements containing stipulations which entirely resolved all remaining issues raised by the Conservation Objectors. In addition, negotiations with MT FWP resulted in their withdrawal of their objection.

On July 26, 2022, the Hearings Examiner issued a Final Order in favor of one of the water right changes and is expected to issue Final Orders on the remaining water rights changes. The Hearings Examiner issued Final Orders on the remaining water rights changes on October 13, 2022 based on the negotiated agreements between the parties. On August 24, 2022, the Conservation Objectors filed their formal appeal of the Hearings Examiner's Partial Summary Judgement, including a constitutional challenge of the beneficial water use statute, which will be reviewed by district court. The appeal does not obstruct TMI's ability to enjoy their rights to use the water available to them through the revised water rights and permits.

On November 1, 2022, the Company announced that the necessary permits to appropriate water for the Black Butte Copper Project have been issued by the State of Montana Department of Natural Resources and Conservation (DNRC). The permits issued by the DNRC authorize the Company to divert groundwater for use in the mining of the Johnny Lee copper deposit and to store high-water flows for stream flow maintenance. The DNRC also approved the Company's change applications to use six existing water rights to mitigate surface water flow reductions resulting from the groundwater diversion. Water right permits and change applications are issued by the DNRC in accordance with the Montana Water Use Act (Title 85, chapter 2, MCA). Issuance of the water permits by the Montana DNRC triggered an appeal by the objectors to the DNRC Hearings Examiners finding that discharge of mine water directly to the environment should not be considered having been put to beneficial use and therefore those water volumes should not require mitigation. This ongoing litigation in no way prohibits TMI's use of the water under its water permits.

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17. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its resource properties. The Company does not have any externally imposed capital requirements to which it is subject to.

As at December 31, 2022, the Company had capital resources consisting of cash and cash equivalents. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or adjust the amount of cash through a debt financing.

The Company's investment policy is to invest its cash in investment instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from operations.

Refer to Note 1 Nature of operations and going concern.

18. FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy has three levels to classify the inputs to valuation techniques used to measure fair value. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (interest rate, yield curves), or inputs that are derived principally from or corroborated observable market data or other means.

Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

As at December 31, 2022, the carrying value of the Company's financial instruments approximates their fair value due to their short terms to maturity. With the exception of the Company's lease liabilities which are classified as Level 2, the Company's financial assets and liabilities are classified as Level 1.

Liquidity risk

The Company manages liquidity risk by maintaining an adequate cash balance. The Company continuously monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial assets and liabilities.

Interest rate risk

The Company's cash and cash equivalents are subject to interest rate price risk. The Company's interest rate risk management policy for cash and cash equivalents is to purchase highly liquid investments with a term to maturity of three months or less on the date of purchase. The Company does not engage in any hedging activity. The Company earned \$nil and \$nil in interest income during the three and six months ended December 31, 2022.

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Credit risk

The Company maintains substantially all of its cash with major financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits.

Foreign currency risk

As the Company operates on an international basis, currency risk exposures arise from transactions and balances denominated in foreign currencies. The Company's foreign exchange risk arises primarily with respect to the U.S. dollar. A significant portion of the Company's cash and cash equivalents, accounts payable, and expenses are denominated in U.S. dollars. Fluctuations in the exchange rates between these currencies and the Canadian dollar could have a material effect on the Company's business, financial condition, and results of operations. The Company does not engage in any hedging activity.

There have been no changes in the Company's objectives and policies for managing the above-mentioned risks and there has been no significant change in the Company's exposure to each risk during the three and six months ended December 31, 2022. As at December 31, 2022, a 10% change in U.S. dollar against Canadian dollar would result in a \$0.5 million (2021: \$0.9 million) decrease or increase in the Company's net comprehensive loss.