

Oz Lithium Corporation
(formerly Australian Goldfields Limited)
Consolidated Financial Statements
June 30, 2022
(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Oz Lithium Corporation (formerly Australian Goldfields Limited):

Opinion

We have audited the consolidated financial statements of Oz Lithium Corporation (formerly Australian Goldfields Limited) (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company has an accumulated deficit of \$7,080,329 as at June 30, 2022. This condition, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

DMCL

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

October 28, 2022



An independent firm
associated with Moore
Global Network Limited

Oz Lithium Corporation
(formerly Australian Goldfields Limited)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Notes	June 30, 2022 -\$-	June 30, 2021 -\$-
ASSETS			
Current assets			
Cash		3,729,123	1,814,926
Receivables	3	83,554	40,234
Prepaid expenses		-	20,433
		3,812,677	1,875,593
Non-current assets			
Exploration and evaluation assets	5	2,122,915	2,122,915
TOTAL ASSETS		5,935,592	3,998,508
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	4	265,258	212,160
TOTAL LIABILITIES		265,258	212,160
SHAREHOLDERS' EQUITY			
Share capital	6	9,828,492	6,645,360
Reserve	6	2,922,171	1,833,636
Deficit		(7,080,329)	(4,692,648)
TOTAL SHAREHOLDERS' EQUITY		5,670,334	3,786,348
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		5,935,592	3,998,508

Nature of operations and going concern (Note 1)

Approved and authorized on behalf of the Board on October 28, 2022:

"Teresa Cherry" Director _____
"Adrian F.C. Hobkirk" Director

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

Oz Lithium Corporation
(formerly Australian Goldfields Limited)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

		Years ended	
		June 30, 2022	June 30, 2021
		- \$ -	- \$ -
EXPENSES	Notes		
Business advisory		588,855	121,219
Consulting, management and directors fees	7	489,957	485,589
Office and administration		745	4,776
Professional fees		124,335	131,850
Exploration	9	407,824	321,368
Regulatory and filing fees		34,830	9,832
Shareholder communication		91,726	6,495
Stock-based compensation	6	615,328	1,369,130
Transfer agent and filing fees		8,452	27,732
Travel and related		-	855
Website		25,629	31,945
Total expenses		(2,387,681)	(2,510,791)
Net loss and comprehensive loss		(2,387,681)	(2,510,791)
Basic and diluted loss per share		(0.06)	(0.11)
Weighted average shares outstanding – basic and diluted		41,176,270	22,969,853

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

Oz Lithium Corporation*(formerly Australian Goldfields Limited)*

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Note	Share capital		Reserve - \$ -	Deficit - \$ -	Total - \$ -
		Number of shares	Amount - \$ -			
Balance at June 30, 2020		8,816,051	2,212,415	-	(2,181,857)	30,558
Shares issued for private placement (net)	6	13,597,014	2,799,951	-	-	2,799,951
Shares issued for acquisition of subsidiary	6	7,500,000	1,850,000	-	-	1,850,000
Shares issued for finders fee on acquisition of subsidiary	6	750,000	247,500	-	-	247,500
Share issue costs – finders warrants	6	-	(464,506)	464,506	-	-
Stock based compensation - options	6	-	-	1,369,130	-	1,369,130
Net and comprehensive loss for the year		-	-	-	(2,510,791)	(2,510,791)
Balance at June 30, 2021		30,663,065	6,645,360	1,833,636	(4,692,648)	3,786,348
Shares issued for private placement (net)	6	39,560,000	3,636,339	-	-	3,636,339
Share issue costs – finders warrants	6	-	(518,207)	518,207	-	-
Stock based compensation – options	6	-	-	615,328	-	615,328
Shares issued on exercise of stock options	6	100,000	65,000	(45,000)	-	20,000
Net and comprehensive loss for the year		-	-	-	(2,387,681)	(2,387,681)
Balance at June 30, 2022		70,323,065	9,828,492	2,922,171	(7,080,329)	5,670,334

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

Oz Lithium Corporation
(formerly Australian Goldfields Limited)
Consolidated Statement of Cash Flows
(Expressed in Canadian dollars)

	Years ended	
	June 30, 2022	June 30, 2021
	- \$ -	- \$ -
Operating activities		
Loss for the year	(2,387,681)	(2,510,791)
Items not affecting cash:		
Share-based payment	615,328	1,369,130
Net change in non-cash working capital items:		
Receivables	(43,320)	(29,067)
Prepaid expenses	20,433	(10,315)
Accounts payable and accrued liabilities	53,098	78,315
Net cash flows used in operating activities	(1,742,142)	(1,102,728)
Cash acquired in asset acquisition Mineral property	-	702 (24,835)
Net cash flows used in investing activities	-	(24,133)
Financing activities		
Shares issued for cash	3,956,000	2,900,000
Shares issued on exercise of stock options	20,000	-
Share issuance cost	(319,661)	(100,049)
Net cash flows provided by financing activities	3,656,339	2,799,951
Change in cash during the year	1,914,197	1,673,090
Cash, beginning	1,814,926	141,836
Cash, ending	3,729,123	1,814,926

During the year ended June 30, 2022 the Company had the following non-cash transactions:

- in connection to a private placement, the Company issued 2,888,400 finders warrants, valued at \$518,207 (Note 6);

During the year ended June 30, 2021 the Company had the following non-cash transactions:

- in connection with a private placement, the Company issued 930,000 finders warrants, valued at \$464,506 (Note 6);
- in connection to the acquisition of a subsidiary, the Company issued 7,500,000 common shares, valued at \$1,850,000 and 750,000 finders shares, valued at \$247,500 (Notes 5, 6).

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

Oz Lithium Corporation

(formerly Australian Goldfields Limited)

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended June 30, 2022

1. Nature of operations and going concern

Oz Lithium Corporation, *(formerly Australian Goldfields Limited)* (the “Company”) was incorporated on October 14, 2016 under the laws of the province of British Columbia, Canada, and its principal activity is the acquisition and exploration of mineral properties. The Company’s shares are listed on the Canadian Securities Exchange (“CSE”). During the year ended June 30, 2022, the Company changed its name to Oz Lithium Corporation and updated its trading symbol to CSE:OZLI.

The head office and principal address and registered records office of the Company is located at 1681 Chestnut Street, Suite 400, Vancouver, British Columbia, Canada, V6J 4M6.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At June 30, 2022, the Company had not achieved profitable operations, had an accumulated deficit of \$7,080,329, had not advanced its mineral property to commercial production and expects to incur further losses in the development of its business, all of which indicate a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. The Company’s continuation as a going concern is dependent upon successful results from its mineral property exploration activities and its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from the novel coronavirus (“COVID-19”). The Company continues to operate its business at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on 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 in 2023.

2. Statement of compliance with International Financial Reporting Standards and basis of preparation

These consolidated financial statements were authorized for issue on October 28, 2022, by the directors of the Company.

Statement of compliance with International Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

2. Statement of compliance with International Financial Reporting Standards and basis of preparation
(cont'd)

Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. These consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Pilbara Gold Group Pty. Ltd (“Pilbara”) incorporated in Australia.

Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity 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 financial statements and the reported revenues and expenses during the year.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the valuation of share-based payments and recognition of deferred tax amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

- i) Going concern
The Company’s ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as, expectations of future events that are believed to be reasonable under the circumstances.
- ii) Impairment of assets
Economic recoverability and probability of future benefits of exploration and evaluation assets. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

Oz Lithium Corporation

(formerly Australian Goldfields Limited)

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended June 30, 2022

2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)

Significant accounting judgments, estimates and assumptions (cont'd)

iii) Exploration and evaluation expenditures

The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.

iv) Deferred taxes

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that probable that future taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax assets and unused tax losses can be utilized.

v) Share-Based Compensation

The Company uses the fair value method of valuing compensation expense associated with the Company's share-based compensation plan. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant.

vi) Business Combination and Asset Acquisition

Judgement is required to determine if the Company's acquisition represented a business combination or an asset purchase. More specifically, management concluded that most of the Company's acquisitions did not represent a business, as the assets acquired were not an integrated set of activities with inputs and, processes. For acquisitions that represented the purchase of assets, no goodwill was recognized on the transactions and acquisition costs were capitalized to the assets purchased rather than expensed. As the Company concluded that most of the acquisitions were asset acquisitions, an allocation of the purchase price to the individual identifiable assets acquired, including identifiable and unidentifiable intangible assets, and liabilities assumed based on their fair values at the date of purchase was required. The fair values of the net assets acquired were calculated using significant estimates and judgments. If estimates or judgments differed, this could result in a materially different allocation of net assets on the consolidated statement of financial position.

Oz Lithium Corporation

(formerly Australian Goldfields Limited)

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended June 30, 2022

2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)

Significant accounting judgments, estimates and assumptions (cont'd)

vi) Business Combination and Asset Acquisition (cont'd)

In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgment and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of contingent consideration, if applicable. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent external valuation expert may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. In certain circumstances where estimates have been made, the Company may obtain third-party valuations of certain assets, which could result in further refinement of the fair-value allocation of certain purchase prices and accounting adjustments.

Foreign currency translation

The functional currency of the Company is measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Canadian dollars which is the Company's functional and presentation currency. The functional currency for the Company's subsidiary is the Canadian dollar.

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

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

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Vesting is determined by the Board of Directors.

Oz Lithium Corporation

(formerly Australian Goldfields Limited)

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended June 30, 2022

2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)

Financial instruments

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

(i) Classification

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

The following table shows the classification under IFRS 9:

Financial assets/liabilities	Classification
Cash	FVTPL
Trade payables	Amortized cost
Receivables	Amortized cost

(ii) Measurement

Financial assets and liabilities at amortized cost

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

Financial assets and liabilities at FVTPL

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

Debt investments at FVTOCI

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

Equity investments at FVTOCI

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

Oz Lithium Corporation

(formerly Australian Goldfields Limited)

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended June 30, 2022

2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)

Financial instruments (cont'd)

(iii) Impairment of financial assets at amortized cost

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

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

Impairment of assets

The carrying amount of the Company's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Oz Lithium Corporation

(formerly Australian Goldfields Limited)

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended June 30, 2022

2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)

Impairment of assets (cont'd)

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Cash

Cash includes cash on hand and deposits held at call with banks.

Income taxes

Current income tax:

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

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred tax is accounted for using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for temporary differences related to the initial recognition of the assets or liabilities that affect neither accounting nor taxable profit nor investments in subsidiaries, associates and interests in joint ventures to the extent it is probable that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner and expected date of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. A deferred tax asset is recognized only to the extent that it is probable that future taxable amounts will be available against which the asset can be utilized.

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercise were used to acquire common shares at the average market price during the reporting period. For the year presented, this calculation proved to be anti-dilutive. Diluted loss per share is equal to the basic loss per share.

2. Statement of compliance with International Financial Reporting Standards and basis of preparation
(cont'd)

Restoration and environmental obligations

The Company recognizes liabilities for legal and constructive obligations associated with the retirement of exploration and evaluation assets. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in the regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The increase in the provision due to the passage of time is recognized as interest expense.

The Company did not have any restoration provisions at June 30, 2022 and 2021.

Leases

At the inception of a lease contract, the Company assesses whether the 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 assess whether: (i) the contract involves the use of an identified asset; (ii) the Company has the right to obtain substantially all the economic benefits from the use of the asset throughout the period, and; (iii) the Company has the right to direct the use of the asset. The Company did not have any leases as at or for the years ended June 30, 2022 and 2021.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in general and administration expense in the consolidated statement of loss and comprehensive loss. Short term leases are defined as leases with a lease term of 12 months or less

Changes in accounting standards

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a material impact on the Company's financial statements other than note disclosure. The Company has not early adopted these revised standards.

Exploration and evaluation assets

All costs related to the acquisition of exploration and evaluation assets are capitalized on a property-by-property basis, net of recoveries. Exploration costs incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are expensed to operations as incurred. If economically recoverable ore reserves are developed, capitalized costs of the related property are classified as mining assets and amortized using the unit-of-production method. When a property is abandoned, all related costs are written off to operations.

The amounts shown for acquisition costs represent costs incurred to date and do not necessarily reflect present or future values. These costs are depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

Oz Lithium Corporation

(formerly Australian Goldfields Limited)

Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

For the year ended June 30, 2022

2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)

Exploration and evaluation assets (cont'd)

From time to time, the Company may acquire or dispose of an exploration and evaluation asset pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. Proceeds received on the sale of an option of the Company's property are recorded as a reduction of the mineral property cost. The Company recognizes in income amounts received in excess of the carrying amount.

Although the Company has taken steps to verify the title to exploration and evaluation assets in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- 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 entity 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 exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

After technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the Company stops capitalizing expenditures for the applicable block of claims or geological area of interest and tests the asset for impairment. The capitalized balance, net of any impairment recognized, is then reclassified to either tangible or intangible mine development assets according to the nature of the asset.

3. Receivables

The balance in receivables at June 30, 2022 of \$83,554 (June 30, 2021 - \$40,234) of which, \$73,554 (June 30, 2021 - \$40,234) consists of government tax credits receivable and \$10,000 (June 30, 2021 - \$nil) relates to subscriptions receivable in connection to stock options exercised (subsequently received – Note 6).

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4. Trade payables and accrued liabilities

	June 30, 2022	June 30, 2021
	-\$-	-\$-
Trade payables	250,254	190,739
Amounts due to related parties (Note 7)	2,500	8,821
Accrued liabilities	12,500	12,600
Total	265,254	212,160

5. Exploration and evaluation assets

As at June 30, 2022, capitalized acquisition costs with respect to the properties are \$2,122,915 (June 30, 2021 - \$2,122,915).

Pilbara gold district, Beatons River project area, Western Australia

During the year ended June 30, 2021, the Company acquired all of the outstanding shares of Pilbara Gold Group Pty Ltd. ("Pilbara"). Pursuant to an acquisition agreement dated June 16, 2020 (the "Agreement") by and among the Company and Pilbara, the Company has acquired a 100% ownership of a property package consisting of seven tenements located in five districts in the Beatons River Project area, Pilbara Gold District in Western Australia (the "Property"), by way of the purchase of all of the issued and outstanding shares of Pilbara.

Common share issuances to the Pilbara Shareholders in connection to the acquisition agreement are as follows:

- (a) 7,500,000 common shares on closing of the Transaction (issued) and released as follows
 - 30% of the common shares will be released on July 13, 2021;
 - 35% of the common shares will be released on November 10, 2021; and
 - 35% of the common shares will be released on March 10, 2022.

The fair value of shares issued was estimated using a commonly used option model that estimates the discount related to the lack of marketability of the shares from the contractual restriction.

- (b) 2,500,000 common shares on completion of drilling program of not less than 4,000 meters on the Property;

- (c) 2,500,000 common shares on the announcement of greater than 500,000 ounces of gold collectively within the Property as defined in a resource calculated compliant to NI 43-101; and

- (d) 2,500,000 common shares on the announcement of greater than 1,000,000 ounces of gold collectively within the Property, as defined in NI 43-101.

Additionally, the parties agreed that a 2% net smelter royalty ("NSR") will be held by the current Pilbara Shareholders on the Property. One percent of the NSR will be made available for purchase by the Company for a purchase price of \$1,500,000 per 1% point. On closing of the Transaction, 100% of the issued and outstanding shares of Pilbara were assigned to the Company.

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5. Exploration and evaluation assets (cont'd)

In addition, the Company issued 750,000 finders shares in connection to the acquisition agreement. Certain shares are contingent on the achievement of certain milestones ((b), (c), (d)). As at the acquisition date, management determined these performances to be remote and as a result, these share payments were not included in the purchase price.

The Company accounted for the purchase of Pilbara as an asset acquisition as it did not meet the definition of a business under IFRS 3, "Business Combinations". The following table summarizes the allocation of the purchase price to the fair value of the assets acquired and liabilities assumed at the date of acquisition.

	\$
Consideration paid:	
Fair value of 7,500,000 consideration shares issued	1,850,000
Fair value of 750,000 finder's shares issued	247,500
Transaction fees	24,835
	<u>2,122,335</u>
Net asset acquired	
Cash	702
Exploration and evaluation assets	2,122,915
Accounts payable	(1,282)
	<u>2,122,335</u>

6. Share capital and reserves***Authorized share capital***

An unlimited number of common shares without par value.

Issued share capital

As at the year ended June 30, 2022, there are 70,323,065 (June 30, 2021 – 30,663,065) issued and fully paid common shares.

During the year ended June 30, 2022:

On March 25, 2022, the Company closed a non-brokered private placement issuing 39,560,000 units (the "Units") at a price of \$0.10 per unit for proceeds of \$3,956,000 and incurring share issuance costs of \$319,661. Each unit is comprised of one common share and one share purchase warrant. Each Warrant entitles the holder to purchase one common share of the Company at a price of \$0.18 per share for a period of 3 years from the date of issuance.

The Company paid finder's fees totaling \$288,840 and issued 2,888,400 finder's warrants. The Finder's Warrants are non-transferable and are exercisable at \$0.18 per share for a period of 3 years from the date of issuance.

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6. Share capital and reserves (cont'd)

During the year ended June 30, 2021:

On March 15, 2021, pursuant to the acquisition agreement the Company issued 8,250,000 common shares on closing of the acquisition of Pilbara. The Company recorded the shares at fair value on the issuance date of \$2,097,500. 30% of the 7,500,000 shares issued is subject to a 4-month hold, 35% is subject to an 8-month hold period, and 35% is subject to a 12-months hold period (Note 5).

On August 17, 2020, the Company closed a private place financing issuing 13,000,000 units at a price of \$0.20 per unit for gross proceeds of \$2,600,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant allows the holder to purchase one common share of the Company at a price of \$0.35 per share for a period of three years from the date of closing of the private placement. The warrants are subject to an acceleration provision, whereby if the Company's shares close at or above \$0.40 per share for more than 10 consecutive trading days, the holder will have 30 days from that date to exercise the warrant or it will expire.

In connection to this private placement, the Company paid finder's fees totaling \$82,000 and issued 930,000 finder's warrants (valued at \$464,506). In addition, the Company incurred other issuance expenses of \$18,049. The Finder's warrants are non-transferable and exercisable on the same terms as the warrants issued in the private placement.

On October 1, 2020 the Company closed a non-brokered private placement issuing 597,014 units (the "Units"), at a price of \$0.5025 per Unit for gross proceeds of \$300,000. Each Unit is comprised of one common share and one transferable common share purchase warrant. Each warrant allows the holder to purchase one common share of the Company at a price of \$0.75 per share for a period of three years from the date of closing of the private placement.

Warrants

The following table summarizes information about the warrant transactions during the years ended June 30, 2022 and 2021:

	Number of warrants	Weighted average exercise price - \$ -
Outstanding, June 30, 2020	-	-
Issued	14,527,014	0.37
Outstanding, June 30, 2021	14,527,014	0.37
Issued	42,448,400	0.13
Outstanding, June 30, 2022	56,975,414	0.23

	Exercise Price \$	Number of Warrants
Expiry Date		
August 17, 2023*	0.35	13,930,000
October 1, 2023	0.75	597,014
March 25, 2025	0.18	42,448,400

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6. Share capital and reserves (cont'd)

As at June 30, 2022, the warrants had a weighted average life of 2.33 years (June 30, 2021 – 2.14 years).

During the year ended June 30, 2022:

In connection with a private placement, the Company issued 2,888,400 finder's warrants. The Finder's Warrants are non-transferable and are exercisable at \$0.18 per share for a period of 3 years from the date of issuance. The fair value of the finder's warrants is \$518,207 determined using on the Black-Scholes Option Pricing model, using a risk-free interest rate of 2.36%, expected life of 3 years, volatility of 183%, and 0% dividend and forfeiture rates.

In connection with a private placement, the Company issued 930,000 finder's warrants at an exercise price of \$0.35 per share for a period of 3 years. The fair value of the finder's warrants is \$464,506 determined using on the Black-Scholes Option Pricing model, using a risk-free interest rate of 0.36%, expected life of 2 years, volatility of 125%, and 0% dividend and forfeiture rates.

**The warrants are subject to an acceleration provision, whereby if the Company's Shares close at or above \$0.40 per Share for more than 10 consecutive trading days, the holder will have 30 days from that date to exercise the warrant or it will expire.*

Stock options

The Board has approved a Stock Option Plan, designed for selected employees, officers, directors, consultants and contractors, to incentivize such individuals to contribute toward the Company's long-term goals, and to encourage such individuals to acquire shares as long-term investments. The Stock Option Plan is administered by the Board and authorizes the issuance of stock options not to exceed a total of 10% of the number of shares issued and outstanding from time to time. The terms of any award are determined by the Board, provided that no options may be granted at less than the fair market value of shares as of the date of the grant. The maximum term of the options is ten years.

During the year ended June 30, 2022:

On April 6, 2022, granted options to purchase a total of 2,575,000 common share at an exercise price of \$0.20 per share for a period of five years to certain directors, consultants and advisory board members in accordance with the provisions of its stock option plan. The fair value of the options granted is \$457,190, based on the Black-Scholes Option Pricing Model, using a risk-free interest rate of 2.51%, expected life of 5 years, volatility of 182%, and 0% dividend and forfeiture rates.

On May 25, 2022, granted incentive stock options to purchase a total of 1,395,000 common share at an exercise price of \$0.20 per share for a period of five years to certain directors, consultants and advisory board members in accordance with the provisions of its stock option plan. The fair value of the options granted is \$158,138, based on the Black-Scholes Option Pricing Model, using a risk-free interest rate of 2.6%, expected life of 5 years, volatility of 179.95%, and 0% dividend and forfeiture rates.

During the year ended June 30, 2022, the Company issued 100,000 common shares in exercise of stock options priced at \$0.20, for total proceeds of \$20,000, of which, \$10,000 was recorded to subscriptions receivable (Note 3) and received subsequent to the year ended June 30, 2022.

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6. Share capital and reserves (cont'd)

During the year ended June 30, 2021:

On August 21, 2020, the Company granted incentive stock options to purchase a total of 2,100,000 common share at an exercise price of \$0.66 per share for a period of five years to certain directors, consultants and advisory board members in accordance with the provisions of its stock option plan. The fair value of the options granted is \$1,163,137, based on the Black-Scholes Option Pricing Model, using a risk-free interest rate of 0.36%, expected life of 5 years, volatility of 125%, and 0% dividend and forfeiture rates.

In April 2021, the Company cancelled 2,100,000 stock options and issued 3,050,000 replacement options at an exercise price of \$0.20 per share for a period of five years. The Company recorded additional share-based compensation of \$205,993, based on the Black-Scholes Option Pricing Model, using a risk-free interest rate of 0.90%, expected life of 5 years, volatility of 125%, and 0% dividend and forfeiture rates.

The following table summarizes information about the stock options during the years ended June 30, 2022 and 2021:

	Options	
	Number of options	Weighted average exercise price - \$ -
Outstanding, June 30, 2020	-	-
Issued	5,150,000	0.39
Cancelled	(2,100,000)	0.66
Outstanding, June 30, 2021	3,050,000	0.20
Issued	3,970,000	0.20
Exercised	(100,000)	0.20
Outstanding, June 30, 2022	6,920,000	0.20

Expiry Date	Exercise Price	Number of Options
May 27, 2026	\$ 0.20	2,950,000
April 6, 2027	\$ 0.20	2,575,000
May 25, 2027	\$ 0.20	1,395,000

As at June 30, 2022, the options had a weighted average life of 4.43 years (June 30, 2021 - 4.91 years).

Reserve

The share-based payment and warrant reserves records items recognized as share-based compensation expense until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

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6. Share capital and reserves (cont'd)

During the year ended June 30, 2022 the Company had the following transactions recorded to reserves:

- Transferred \$45,000 (2021 - \$nil) to share capital from reserves on the exercise of options;
- the Company recorded \$615,328 (2021 - \$1,369,130) to reserves in connection to stock options issued;
- \$518,207 (2021 - \$464,506) in connection to finder warrants in connection to the private placement financing during the year as further described above.

7. Related party transactions

Balances

The following amounts due to related parties are included in trade payables and accrued liabilities (Note 4) and have arisen from the unpaid portion of certain fees disclosed below as well as amounts owing for expense reimbursements. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

	June 30, 2022	June 30, 2021
	- \$ -	- \$ -
Companies controlled by directors and/or an officer of the Company	2,500	8,821
	2,500	8,821

Transactions

During the year ended June 30, 2022, the Company incurred management fees of \$189,957 (2021 - \$181,640) to the CEO of the Company, director fees of \$150,000 (2021 - \$140,000) to a company controlled by a director of the Company, consulting fees of \$150,000 (2021 - \$140,000) with a company controlled by the CFO of the Company which are included recorded in consulting, management and director fees and consulting and geological fees of \$39,556 (2021 - \$23,949) to a company controlled by a director of the Company. The Company also incurred \$112,793 (2021 - \$638,090) in non-cash share-based compensation to directors and officers of the Company in the form of stock options.

The total of the related party transactions during the year ended June 30, 2022 is \$642,306 (2021 - \$1,123,679). These totals include the cost of share-based compensation expense on stock options issued recognized in profit or loss over the vesting period as described above.

8. Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is summarized as follows:

8. Financial risk and capital management (cont'd)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts at a major bank in Canada, and a minimal cash balance held in Australia. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. Credit risk is assessed as low.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to necessary levels of equity funding. Liquidity risk is assessed as high.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. As at June 30, 2022, the Company has financial assets denominated in the US Dollar, which will be affected by changes in the exchange rate between the Canadian Dollar and the US Dollar.

If the Canadian dollar changes by one percent against the US Dollar, with all other variables held constant, the impact on the Company's foreign denominated financial instruments would result in a nominal change in profit or loss.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risks.

Capital Management

The Company's policy is, if permitted by market conditions, to maintain a strong capital base so as to support investor and creditor confidence and support future development of the business. The capital structure of the Company consists of equity, comprising share capital and reserves net of accumulated deficit. The Company is not subject to any externally imposed capital requirements and there were no changes to the Company's capital management for the period ended June 30, 2022.

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8. Financial risk and capital management (cont'd)

Fair value

The Company's financial instruments consist of cash, receivables, and trade payables. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these investments.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Cash is measured at fair value using Level 1 inputs.

9. Exploration

The following table summarizes the exploration expenditures incurred during the years ended June 30, 2022, and 2021:

	June 30, 2022	June 30, 2021
	-\$-	-\$-
Fieldwork related to acquisition	-	125,863
Fieldwork	47,672	-
Geologist and geological consulting	89,037	29,446
Assaying and Laboratory	85,231	-
Geophysical consultation	48,594	-
Permits and fees	45,778	-
Survey, mapping and reports	30,624	162,198
Others	60,888	3,861
Total	407,824	321,368

10. Segmented Information

The Company currently conducts its operations in Canada and Australia in one business segment being the exploration of resource properties.

Geographic segments

The following exploration and evaluation assets, are located in the following countries:

	June 30, 2022	June 30, 2021
	-\$-	-\$-
Canada	-	-
Australia	2,122,915	2,122,915
Total	2,122,915	2,122,915

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11. Income tax

A reconciliation of income taxes at statutory rates with the reported income taxes is as follows:

	Year Ended June 30, 2022	Year Ended June 30, 2021
	-\$-	-\$-
Net loss	(2,387,681)	(2,510,791)
Statutory tax rate	27%	27%
Expected income tax recovery	(644,674)	(677,914)
Permanent difference and other	209,062	376,700
Change in unrecognized deductible temporary differences	435,612	301,214
Total income tax recovery	-	-

The significant components of the Company's deferred tax assets and liabilities are as follows:

	June 30, 2022	June 30, 2021
	-\$-	-\$-
Unrecognized deferred tax assets:		
Share issue costs	84,779	23,883
Non-capital losses	1,083,002	704,506
Resource pool	156,432	173,721
Total unrecognized deferred tax assets	1,324,212	902,110