Nations Royalty Corp.

(formerly Vega Mining Inc.)

Condensed Interim Consolidated Carve-out Financial Statements

For the Three Months Ended June 30, 2024 and 2023

(Presented in Canadian Dollars)

(Unaudited)

Nations Royalty Corp.
(formerly Vega Mining Inc.)
Consolidated Interim Consolidated Carve-out Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	June 30, 2024 ($)	March 31, 2024 ($)
Assets		
Current assets		
Cash and cash equivalents	**8,676,778**	-
Amounts receivable	**232,763**	413,365
Prepaid expenses	**76,758**	-
	8,986,299	413,365
Non-current assets		
Due from parent	**-**	3,284,756
Total assets	**8,986,299**	3,698,121
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**1,151,015**	-
Total liabilities	**1,151,015**	-
Shareholders' Equity		
Share capital (Note 6)	**30,267,574**	-
Reserves (Note 6)	**2,027,552**	-
Net parent investment	**-**	3,698,121
Deficit	**(24,459,842)**	-
Total shareholders' equity	**7,835,284**	3,698,121
Total liabilities and shareholders' equity	**8,986,299**	3,698,121

Nature of operations (Note 1)

Approved and authorized for issuance by the Board of Directors:

“Alex Morrison”
Director

“Robert McLeod”
Director

The accompanying notes are an integral part of these unaudited condensed interim consolidated carve-out financial statements

Nations Royalty Corp.
(formerly Vega Mining Inc.)
Consolidated Interim Consolidated Carve-out Statements of Net Income (Loss) and Comprehensive Income (Loss)
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended June 30,	
	2024	2023
	($)	($)
Revenue		
Royalty income	**125,660**	146,961
Expenses		
Salaries and benefits	**26,632**	-
Consulting (Note 7)	**25,000**	-
Marketing	**379,231**	-
Professional fees	**113,805**	-
Office and administration	**6,925**	-
Transfer agent and filing fees	**53,788**	-
Travel	**15,819**	-
Share-based compensation (Notes 4,6,7)	**1,504,039**	-
	(2,125,239)	-
Listing expense (Note 4)	**(22,476,321)**	-
Interest income	**16,059**	-
Net income (loss) and comprehensive income (loss)	**(24,459,842)**	146,961
Basic and diluted loss per share	**(1.28)**	-
Weighted average number of common shares outstanding - basic and diluted	**19,085,359**	-

The accompanying notes are an integral part of these unaudited condensed interim consolidated carve-out financial statements

Nations Royalty Corp.
(formerly Vega Mining Inc.)
Consolidated Interim Consolidated Carve-out Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Number of shares	Share capital ($)	Reserves ($)	Net parent investment ($)	Deficit ($)	Total shareholders' equity ($)
At March 31, 2023	-	-	-	3,309,124	-	3,309,124
Net income and comprehensive income	-	-	-	146,961	-	146,961
At June 30, 2023	-	-	-	3,456,085	-	3,456,085
At March 31, 2024	-	-	-	3,698,121	-	3,698,121
Reverse takeover transaction (Note 4)	144,730,637	30,267,574	523,513	(3,698,121)	-	27,092,966
Share-based compensation (Notes 4,6,7)	-	-	1,504,039	-	-	1,504,039
Net loss and comprehensive loss	-	-	-	-	(24,459,842)	(24,459,842)
At June 30, 2024	144,730,637	30,267,574	2,027,552	-	(24,459,842)	7,835,284

The accompanying notes are an integral part of these unaudited condensed interim consolidated carve-out financial statements

Nations Royalty Corp.

(formerly Vega Mining Inc.)
Consolidated Interim Consolidated Carve-out Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended June 30, 2024 ($)	2023 ($)
Cash provided by (used in):		
Operating activities		
Net income (loss)	**(24,459,842)**	146,961
Items not involving cash		
Share-based compensation	**1,504,039**	-
Listing expense	**22,476,321**	-
Changes in non-cash working capital items		
Amounts receivable	**(126,160)**	-
Prepaid expenses	**(76,758)**	-
Due from parent	**-**	(146,961)
Accounts payable and accrued liabilities	**30,830**	-
	(651,570)	-
Investing activities		
Cash acquired (Note 4)	**9,328,348**	-
	9,328,348	-
Change in cash and cash equivalents	**8,676,778**	-
Cash and cash equivalents – beginning	**-**	-
Cash and cash equivalents – end	**8,676,778**	-
Cash and cash equivalents is comprised of:		
Cash	**8,619,278**	-
Term deposit	**57,500**	-
	8,676,778	-
Supplemental cash flow information		
Amounts receivable acquired (Note 4)	**106,603**	-
Accounts payable and accrued liabilities acquired (Note 4)	**1,120,185**	-

No cash was paid for interest or income taxes during the three months ended June 30, 2024 and 2023.

The accompanying notes are an integral part of these unaudited condensed interim consolidated carve-out financial statements

1. NATURE OF OPERATIONS

Nations Royalty Corp. (formerly Vega Mining Inc.) (the “Company”) is a majority Nisga’a Nation owned company focused on acquiring royalties in the resource sector and was incorporated on November 21, 2007, under the Business Corporations Act (British Columbia). The Company changed its name from Vega Mining Inc. to Nations Royalty Corp. on May 3, 2024. The Company’s head office is located at Suite 3123 - 595 Burrard Street, Vancouver, British Columbia, V7X 1J1 and its registered and records office is located at Suite 2500 - 700 West Georgia Street, Vancouver, British Columbia, V7Y 1B3.

On June 18, 2024, the Company completed the Transaction (as described in Note 4), pursuant to which it acquired all of the issued and outstanding shares of Nations Acquisition Corp. (“Nationsco”) in exchange for common shares of the Company. In connection with the Transaction, the Company changed its name to Nations Royalty Corp. and changed its fiscal year end from May 31 to March 31. Following completion of the Transaction, the Company’s common shares were approved for listing on Tier 2 of the TSX Venture Exchange and commenced trading on June 21, 2024, under the symbol ‘NRC’. The Company will carry on the business previously carried on by Nationsco.

2. BASIS OF PREPARATION

The Company prepares its unaudited condensed interim consolidated carve-out financial statements (these “Financial Statements”) in accordance with International Financial Reporting Standards (IFRS). These Financial Statements have been prepared in accordance with International Accounting Standards (IAS) 34 - Interim Financial Reporting and they follow the same accounting policies and methods of application as the Company’s most recent audited annual carve-out financial statements. Accordingly, they should be read in conjunction with the Company’s most recent audited annual carve-out financial statements. These Financial Statements have been prepared on a historical cost basis, modified where applicable. In addition, these Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information. These Financial Statements are presented in Canadian Dollars, which is also the Company’s functional and reporting currency.

As a result of the Transaction, the comparatives reflect the activities and assets of the Nationsco Shareholder Contributed Assets, being the royalty interests held by the Nisga’a Nation (“Nationsco Shareholder”), on a “carve-out” basis, rather than representing the actual legal structure. The comparative figures have been prepared for the purpose of presenting the financial position, results of operations and cash flows of the Nationsco Shareholder and have been extracted from historical accounting records of the Nationsco Shareholder with estimates used, when necessary, for certain allocations. The net parent investment represents the Nationsco Shareholder’s historical investment in Nationsco and includes accumulated net income or losses attributable to the Nationsco Shareholder.

The Board of Directors approved these Financial Statements on August 26, 2024.

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

The Company operates in one segment and all assets are held in Canada. All royalty income is earned in Canadian dollars.

2. BASIS OF PREPARATION (continued)

a) Critical Accounting Judgments, Estimates and Assumptions

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income (loss) in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

The information about significant areas of judgment, estimates, and assumptions considered by management in preparing these Financial Statements is as follows:

Assessment of the Transaction

Determination of whether a set of assets acquired and liabilities assumed constitute the acquisition of a business or asset requires the Company to make certain judgements as to whether or not the assets acquired and liabilities assumed include the inputs, processes and outputs necessary to constitute a business as defined in IFRS 3 – Business Combinations. Based on an assessment of relevant facts and circumstances, the Company concluded that the Transaction was an acquisition of assets (Note 4). The values assigned to shares and the allocation of the purchase price to the net assets in the Transaction are based on the relative fair values of the assets and liabilities which approximate their carrying values.

Royalty Income

The Company estimates its royalty income based on the Mineral Tax payable or paid for the properties underlying its royalty interests. Each operator provides estimates of the royalty income on an on-going basis, with estimates reconciled annually to the Mineral Tax Return. In the event the operator is unable to provide royalty income estimates within the required times, the Company will estimate the royalty income based on public disclosures, where available, of financial and operational results disclosed or provided by the respective operator. In some instances, the Company may not have access to sufficient information to make a reasonable estimate of royalty income to which it expects to be entitled, in which case revenue is not recognized until such time as information becomes available.

Share-Based Compensation

The Company uses the Black-Scholes option pricing model to determine the fair value of options in order to calculate share-based compensation expense. The Black-Scholes model involves five key inputs to determine fair value of an option: risk-free interest rate, exercise price, expected dividend yield, expected life, and expected share price volatility. Certain of the inputs are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company’s control. The Company is also required to estimate the future forfeiture rate, if any, in its calculation of share-based compensation expense.

b) Basis of Consolidation

These Financial Statements include the accounts of the Company and its wholly-owned subsidiary Nass Valley Area Royalty Holdings Corp. (British Columbia).

2. BASIS OF PREPARATION (continued)

The financial results of the subsidiary are included in these Financial Statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

3. MATERIAL ACCOUNTING POLICIES

a) Cash and Cash Equivalents

Cash and cash equivalents consists of deposits and term deposits held in banks. The Company places its cash and term deposits with institutions of high credit-worthiness.

b) Royalty Income

Royalty income represents amounts received or receivable from royalty interests under certain benefits agreements (the "Annual Payments") (Note 4). Royalty income is based on:

- Annual Payments: Annual ongoing payments based on a percentage of the annual Mineral Tax payable under the relevant Mineral Tax Act; and
- Net Smelter Royalty ("NSR"): Payments are calculated by multiplying the net smelter return for the calendar year by the applicable NSR rate.

Royalty income is measured at the fair value of the consideration received or receivable when management can reliably estimate the amount under the terms of the Annual Payments. Specifically, royalty income is recognized in accordance with the terms of the underlying Annual Payments agreements.

c) New Accounting Standards Issued But Not Yet Effective

Amendments to IFRS 9 and IFRS 7 - Amendments to the Classification and Measurement of Financial Instruments

In May 2024, the IASB issued amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures. The amendments clarify the date of recognition and derecognition of financial assets and liabilities, clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest criterion, add new disclosures for financial instruments with contractual terms that can change cash flows, and update the disclosure for equity investments designated at fair value through other comprehensive income. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier adoption permitted. The Company is currently assessing the impact of the amendments.

IFRS 18 – Presentation and Disclosure in Financial Statements

In April 2024, IFRS 18 Presentation and Disclosure in Financial Statements was issued to achieve comparability of the financial performance of similar entities. The standard, which replaces IAS 1, impacts the presentation of primary financial statements and notes, including the statement of earnings where companies will be required to present separate categories of income and expense for operating, investing, and financing activities with prescribed subtotals for each new category. The standard will also require management-defined performance measures to be explained and included in a separate note within the financial statements. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements, and requires retrospective application. The Company is currently assessing the impact of the new standard.

4. REVERSE TAKEOVER TRANSACTION

On February 1, 2024, the Company entered into an amalgamation agreement with the Nisga'a Nation pursuant to which, among other things, the Company would acquire from the Nisga'a Nation the rights to five benefit payment entitlements (the "Royalties") (Note 5) in benefits agreements the Nisga'a Nation has in place in respect of mines and projects within the Golden Triangle Area, located in northwest British Columbia, in exchange for common shares of the Company (the "Transaction").

Concurrently with, and as a condition to, completion of the Transaction, Finco, a wholly-owned subsidiary of the Company, completed a private placement (the "Concurrent Financing") on April 9, 2024, of 11,111,112 subscription receipts (each, a "Subscription Receipt") at a price of $0.90 per Subscription Receipt, for gross proceeds of $10,000,001. All proceeds of the Concurrent Financing were held in escrow pending satisfaction of the closing conditions to the Transaction. Upon satisfaction of the escrow conditions, immediately prior to completion of the Transaction, each Subscription Receipt was automatically converted into one common share of Finco and the funds held in escrow were transferred to the Company's unrestricted bank account.

On June 18, 2024, the Transaction was completed by way of a three-cornered amalgamation under the provisions of the Business Corporations Act (British Columbia) whereby Finco amalgamated with Nationsco, a wholly-owned subsidiary of the Nisga'a Nation formed to hold the Royalties prior to closing and having had no other assets or material financial liabilities or obligations, with the resulting company being named Nass Valley Area Royalty Holdings Corp. ("Nass Valley Area Royalty"). All of the issued and outstanding shares of Nass Valley Area Royalty following the amalgamation were immediately exchanged for common shares of the Company on a one-for-one basis (the "Consideration Shares"). The Consideration Shares and most of the currently existing Company shares are subject to voluntary pooling restrictions and will be released over a period of 36 months from completion of the Transaction (Note 6). Pursuant to the Transaction, the Company issued an aggregate of 111,100,000 common shares to the Nisga'a Nation in consideration for the assignment of the Royalties.

Upon completion of the Transaction, including the Concurrent Financing, (i) the existing shareholders of the Company held approximately 15.56% of its issued and outstanding shares; (ii) the Nisga'a Nation held approximately 76.76% of the Company's issued and outstanding shares; and (iii) the investors in the Concurrent Financing held approximately 7.68% of the Company's issued and outstanding shares.

The legal acquisition of Nass Valley Area Royalty by the Company constitutes a reverse asset acquisition. As a result, the Transaction is accounted for in accordance with IFRS 2 – Share-based Payment, as a reverse acquisition with Nass Valley Area Royalty being identified as the accounting acquirer (legal subsidiary) and the Company being treated as the accounting acquiree (legal parent).

As consideration for 100% of the outstanding shares of the Company, Nass Valley Area Royalty issued 33,630,637 common shares with a value of $0.90 per share, being the value of the Concurrent Financing, on a one-for-one basis to the shareholders of the Company. In addition, Nass Valley Area Royalty issued 700,000 replacement options, in exchange for previously outstanding options of the Company with a fair value of $523,513, using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of $0.10; ii) expected share price volatility of 75%; iii) risk-free interest rate of 3.24%; iv) expected life of 5 years; v) no dividend yield. The consideration paid was allocated first to the fair value of the net assets acquired, with any excess to listing expense as follows:

(Expressed in Canadian Dollars)

4. REVERSE TAKEOVER TRANSACTION (continued)

Consideration		
33,630,637 common shares issued with a value of $0.90 per share	$	30,267,574
700,000 replacement options		523,513
	$	**30,791,087**

Identifiable net assets		
Cash	$	9,328,348
Amounts receivable		106,603
Accounts payable and accrued liabilities		(1,120,185)
	$	**8,314,766**
Listing expense	**$**	**22,476,321**

5. ROYALTY INTERESTS

Pursuant to the Transaction (Note 4) the following Annual payments were acquired by the Company:

- The Brucejack gold mine operated by Pretium Resources Inc. ("Pretium"), a wholly-owned indirect subsidiary of Newmont Corporation, a large underground gold mine. The Brucejack Annual Payment is equal to a percentage of the Mineral Tax payable by Pretium in each calendar year under the Mineral Tax Act in respect of Brucejack.

- The KSM Copper-Gold-Silver-Molybdenum project (the "KSM Project"), currently in development by Seabridge Gold Inc. The KSM Annual Payment is calculated as an amount equal to:

  (a) subject to (b) below, 11% of the amount of Mineral Tax payable by KSM in each calendar year under the Mineral Tax Act for the KSM Project; and

  (b) in respect of a year where no tax is payable under Section 2(1)(a) of the Mineral Tax Act, 5% of the amount of tax payable by KSM in each calendar year under the Mineral Tax Act for the KSM Project.

- The Premier Gold project, currently being commissioned by Ascot Resources Ltd. ("Ascot"), with first gold poured in April 2024 and commercial production scheduled for the quarter ended September 30, 2024. As well as the Red Mountain project owned by Ascot; The Premier Gold and Red Mountain Annual Payment is calculated as an amount equal to:

  (a) 20% of the Mineral Tax payable by Ascot in each calendar year under the Mineral Tax Act for each of the Premium Gold project and the Red Mountain project; and

  (b) for each calendar year after the calendar year in which debt is advanced by Ascot under certain project funding agreements, 25% of the Mineral Tax payable by Ascot in each calendar year under the Mineral Tax Act for each of the Premier Gold and Red Mountain projects.

- The Kitsault Molybdenum Deposit, a large, fully permitted brownfield site owned and being actively advanced by New Moly LLC, majority-owned by Resource Capital Fund VI L.P. The Kitsault Annual Payment is the greater of:

(Expressed in Canadian Dollars)

5. ROYALTY INTERESTS (continued)

(a) a minimum of $1,000,000, if the payment in (b) below is less than $1,000,000; or

(b) an NSR of up to 2%, determined as a sliding scale percentage of net smelter returns on all molybdenum produced at the Kitsault project located near Alice Arm, British Columbia. The royalty is based on the average molybdenum price per calendar year and is subject to minimum production levels being achieved in each calendar year.

The Annual Payment interests held by Nass Valley Area Royalty are all annual payments. The Brucejack, KSM, Premier Gold, and Red Mountain Annual Payments are all calculated based on amounts payable by project operators under the Mineral Tax Act while the Kitsault Annual Payment is based on a sliding scale percentage of net smelter returns.

6. SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

a) As of June 30, 2024, there were 144,730,637 common shares outstanding.

During the three months ended June 30, 2024, the Company issued 144,730,637 common shares in connection with the Transaction (Note 4) as follows:

	Number of shares
Outstanding shares of the Company	22,519,525
Shares issued - Concurrent Financing	11,111,112
Shares issued to the Nisga'a Nation	111,100,000
Total	144,730,637

b) A summary of the changes in options follows:

The Company has established a “rolling” Stock Option Plan (the “Plan”). Under the Plan, the number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding shares and, to any one optionee, may not exceed 5% of the issued shares on a yearly basis. The maximum term of each option shall not be greater than 10 years. The exercise price of each option shall not be less than the market price of the Company’s shares at the date of grant. Options granted to consultants performing investor relations activities shall vest over a minimum of 12 months with no more than 1/4 of such options vesting in any 3 month period. All other options vest at the discretion of the Board of Directors.

During the three months ended June 30, 2024, 700,000 replacement options with a fair value of $523,513 were granted in connection with the Transaction (Note 4).

During the three months ended June 30, 2024, the Company granted 10,000,000 options to directors, officers, consultants, and employees of the Company exercisable at $0.90 per share until June 18, 2029, vesting over a period of three years. The options were fair valued using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of $0.90 ii) expected share price volatility of 75%; iii) risk-free interest rate of 3.28%; expected life of 5 years; v) no dividend yield.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

Share-based compensation expense recognized for the vesting of options during the three months ended June 30, 2024, was $1,504,039 (2023 - $nil).

There were no options granted during the three months ended June 30, 2023.

A summary of the changes in options follows:

	Number of options	Weighted average exercise price
Balance, March 31, 2023, June 30, 2023, and March 31, 2024	-	$ -
Granted	10,700,000	0.85
Balance, June 30, 2024	10,700,000	$ 0.85

As of June 30, 2024, the following options were outstanding:

Outsanding	Exercisable	Exercise price	Expiry date
10,000,000	2,500,000	$ 0.90	June 18, 2029
600,000 (1)	600,000	0.10	June 5, 2033
100,000 (1)	100,000	0.10	August 14, 2033
10,700,000	3,200,000		

(1) Replacement options – Note 4

c) Voluntary pooling restrictions:

135,171,500 of the issued and outstanding shares are subject to voluntary pooling restrictions pursuant to a June 2024 agreement. As of June 30, 2024, 121,855,550 shares (March 31, 2024 - nil) remain subject to the voluntary pooling restrictions and will be released in scheduled tranches until June 2027.

7. RELATED PARTY TRANSACTIONS

Key management consists of personnel having the authority and responsibility for planning, directing, and controlling the activities of the Company, which are the directors and executive officers of the Company.

Compensation to key management:

	Three months ended June 30, **2024** ($)	2023 ($)
Salaries	**-**	-
Consulting fees	**15,000**	-
Share-based compensation	**744,499**	-
	759,499	-

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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.

The fair values of the Company's cash and cash equivalents, amounts receivable, and accounts payable approximate their carrying value, due to their short-term maturities and market interest rate.

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 counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

a) *Credit Risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk is attributable to cash and cash equivalents, and amounts receivable relating to royalty revenues. Cash and cash equivalents are held with large Canadian banks. Management believes the risk of loss to be remote. The Company's amounts receivable is partly comprised of amounts owing from the Government of Canada for input tax credits and, accordingly, the Company does not believe it is subject to significant credit risk in this regard. The Company's amounts receivable is also subject to the credit risk of the counterparties who own and operate the mines underlying the royalty portfolio. In order to mitigate its exposure to credit risk, the Company closely monitors its financial assets.

b) *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 manages liquidity risk by continuing to monitor forecasted and actual cash flows. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its development plans. The Company strives to maintain sufficient liquidity to meet its short-term business requirements, taking into account its anticipated cash flows from royalty interests, its holdings in cash and cash equivalents and its committed liabilities. The Company had working capital (current assets less current liabilities) of $7,835,284 at June 30, 2024 (March 31, 2024 - $413,365).

c) *Market Ri*sk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity prices, and equity prices:

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

I. Interest Rate Risk

Interest rate risk consists of two components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Due to the short-term nature of the Company's financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values during the periods presented. Future cash flows from interest income on cash will be affected by interest rate fluctuations. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on the preservation of capital and liquidity. Interest rate risk is assessed as low.

9. CAPITAL RISK MANAGEMENT

The Company defines its capital as all components of shareholders' equity. In order to maintain its capital structure, the Company is dependent on equity funding and when necessary, raises capital through the issuance of equity instruments, primarily comprised of common shares. The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances.

The Company is not subject to any externally imposed capital requirements or debt covenants, and does not presently utilize any quantitative measures to monitor its capital. There were no changes to the Company's approach to managing capital during the periods presented.