



Consolidated Financial Statements

For the years ended July 31, 2022 and 2021

Independent Auditor's Report

To the Shareholders of Grizzly Discoveries Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Grizzly Discoveries Inc. (the "Company"), which comprise the consolidated statement of financial position as at July 31, 2022, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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 Consolidated 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 consolidated financial statements in Canada, and we have fulfilled our 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.

Other Matter

The consolidated financial statements of the Company for the year ended July 31, 2021 were audited by another auditor who expressed an unqualified opinion on those statements on November 26, 2021.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company's long-term continuance is dependent upon achieving profitable operations and obtaining additional equity or debt financing. These events or conditions, 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", but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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 Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 James Roxburgh.



CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC, Canada
November 25, 2022

GRIZZLY DISCOVERIES INC.
Consolidated statements of financial position

| As at July 31 | 2022 | 2021 |
|--|----------------------|---------------------|
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | \$ 2,153,007 | \$ 137,412 |
| Restricted cash (note 4) | 5,000 | 5,000 |
| Other current assets (note 5) | 262,914 | 208,620 |
| | 2,420,921 | 351,032 |
| Deposit (note 6) | 32,176 | 31,956 |
| Mineral properties (note 6) | 7,752,759 | 7,628,241 |
| TOTAL ASSETS | \$ 10,205,856 | \$ 8,011,229 |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 96,890 | \$ 89,945 |
| Deferred flow through share premium (note 8) | 344,032 | 15,954 |
| | 440,922 | 105,899 |
| Reclamation provision (note 6) | 135,768 | 257,490 |
| TOTAL LIABILITIES | 576,690 | 363,389 |
| EQUITY | | |
| Share capital (note 8) | 23,138,140 | 21,485,596 |
| Warrant capital (note 8) | 735,126 | 439,889 |
| Contributed surplus | 3,547,918 | 3,079,081 |
| Deficit | (17,792,018) | (17,356,726) |
| TOTAL EQUITY | 9,629,166 | 7,647,840 |
| TOTAL LIABILITIES AND EQUITY | \$ 10,205,856 | \$ 8,011,229 |

See Note 13 for subsequent events.

Approved by the Board of Directors

Director (signed by) "Brian Testo"

Director (signed by) "Sam Pillersdorf"

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

GRIZZLY DISCOVERIES INC.
Consolidated statements of loss and comprehensive loss

| For the years ended July 31 | 2022 | 2021 |
|--|---------------------|------------------|
| EXPENSES | | |
| General and administration (note 9) | \$ (299,362) | \$ (301,294) |
| Share based compensation (note 8) | (280,000) | (133,500) |
| Impairment (note 6) | (8,191) | (62,105) |
| | <hr/> | <hr/> |
| TOTAL EXPENSES | (587,553) | (496,899) |
| OTHER INCOME (LOSS) | | |
| Interest income | 11,267 | 2,687 |
| Unrealized (loss) gain on marketable securities | (10,637) | 5,730 |
| Flow through share premium | 29,909 | 124,318 |
| Recovery of reclamation obligation (note 6) | 121,722 | - |
| | <hr/> | <hr/> |
| TOTAL OTHER INCOME (LOSS) | 152,261 | 132,735 |
| NET LOSS AND COMPREHENSIVE LOSS | \$ (435,292) | (364,164) |
| | <hr/> | <hr/> |
| BASIC AND DILUTED LOSS PER COMMON SHARE | \$ (0.00) | (0.00) |
| | <hr/> | <hr/> |
| Weighted average number of common shares outstanding | 101,983,766 | 89,630,987 |
| | <hr/> | <hr/> |

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

GRIZZLY DISCOVERIES INC.
Consolidated statements of changes in equity

| | Number of common shares | Share capital | Warrant capital | Contributed surplus | Deficit | Total equity |
|--|-------------------------------|------------------|--------------------|------------------------|------------------|------------------|
| As at July 31, 2020 | 86,486,714 | \$ 21,231,217 | \$ 362,466 | \$ 2,925,372 | \$(16,992,562) | \$ 7,526,493 |
| Net loss and comprehensive loss | - | - | - | - | (364,164) | (364,164) |
| Private placement financings (note 8) | 6,798,466 | 254,379 | 97,632 | - | - | 352,011 |
| Warrants expired | - | - | (20,209) | 20,209 | - | - |
| Share based compensation (note 8) | - | - | - | 133,500 | - | 133,500 |
| As at July 31, 2021 | 93,285,180 | 21,485,596 | 439,889 | 3,079,081 | (17,356,726) | 7,647,840 |
| Net loss and comprehensive loss | - | - | - | - | (435,292) | (435,292) |
| Private placement financings (note 8) | 37,604,987 | 1,284,669 | 585,037 | - | - | 1,869,706 |
| Warrants exercised | 4,421,060 | 420,000 | (88,420) | - | - | 331,580 |
| Warrants expired | - | - | (253,837) | 253,837 | - | - |
| Options exercised | 1,875,000 | 161,250 | - | (65,000) | - | 96,250 |
| Share based compensation (note 8) | - | - | - | 280,000 | - | 280,000 |
| Share issuance costs | - | (213,375) | 52,457 | - | - | (160,918) |
| As at July 31, 2022 | 137,186,227 | \$ 23,138,140 | \$ 735,126 | \$ 3,547,918 | \$(17,792,018) | \$ 9,629,166 |

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

GRIZZLY DISCOVERIES INC.
Consolidated statements of cash flows

| For the years ended July 31 | 2022 | 2021 |
|---|---------------------|-------------------|
| CASH PROVIDED BY (USED IN): | | |
| OPERATING ACTIVITIES: | | |
| Net loss | \$ (435,292) | \$ (364,164) |
| Items not affecting cash and cash equivalents: | | |
| Share based compensation | 280,000 | 133,500 |
| Impairment | 8,191 | 62,105 |
| Recovery of reclamation obligation | (121,722) | - |
| Unrealized loss (gain) on marketable securities | 10,637 | (5,730) |
| Flow through share premium | (29,909) | (124,318) |
| Changes in non-cash working capital: | | |
| Other current assets | (34,931) | (12,494) |
| Accounts payable and accrued liabilities | (3,039) | 6,941 |
| Cash and cash equivalents used in operating activities | <u>(326,065)</u> | <u>(304,160)</u> |
| INVESTING ACTIVITIES: | | |
| Deposit | (220) | (173) |
| Mineral property option payments received | 1,157 | 25,000 |
| Mineral property expenditures | (155,821) | (807,680) |
| Cash and cash equivalents used in investing activities | <u>(154,884)</u> | <u>(782,853)</u> |
| FINANCING ACTIVITIES: | | |
| Proceeds from private placement (note 8) | 2,127,900 | 442,808 |
| Proceeds from exercise of warrants | 331,580 | - |
| Proceeds from exercise of options | 96,250 | - |
| Costs of share issuance | (59,186) | (19,297) |
| Cash and cash equivalents provided by financing activities | <u>2,496,544</u> | <u>423,511</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 2,015,595 | (663,502) |
| Cash and cash equivalents – beginning of year | <u>137,412</u> | <u>800,914</u> |
| CASH AND CASH EQUIVALENTS – END OF YEAR | \$ 2,153,007 | \$ 137,412 |

See Note 10 for supplemental cash flow information.

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

1. Nature of operations and going concern

Grizzly Discoveries Inc. (the “Company” or “Grizzly”) was incorporated on May 31, 2002 in Alberta and is in the business of acquiring and exploring mineral properties located in Canada. The Company has not yet determined whether these properties contain mineral reserves that are economically recoverable. The Company’s registered office is Suite 3400, 350 7 Avenue SW, Calgary, Alberta, T2P 3N9. The Company’s head office is at Suite 363 – 9768 170 Street NW, Edmonton, Alberta, T5T 5L4.

Long-term continuance of the Company’s operations is dependent upon achieving profitable operations and obtaining additional equity or debt financing. The recoverability of the carrying values of the Company’s mineral properties is dependent upon the existence and discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties and future profitable production from or proceeds from the disposition of mineral properties.

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of operations. As at July 31, 2022, the Company has a deficit of \$17,792,018 (2021 - \$17,356,726) and the Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable. These material uncertainties may cast significant doubt regarding the Company’s ability to continue as a going concern. At the current stage of the Company’s development, the ability of the Company to continue as a going concern is dependent upon its ability to obtain additional sources of financing. Management’s intentions are to continue to pursue additional financing. If the Company is unsuccessful in obtaining additional financing to fund operations and the exploration and development of its mineral properties, the going concern assumption may not be appropriate and adjustments would be necessary to the carrying value of assets and liabilities and reported revenues and expenses. Such adjustments may be material.

2. Basis of presentation

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and include the accounts of the Company and its wholly owned subsidiary Alberta Potash Corp. (incorporated in Alberta). All intercompany balances and transactions have been eliminated on consolidation.

These consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian Dollars, the Company’s functional currency and that of its subsidiary, unless otherwise noted.

These consolidated financial statements were approved by the Board of Directors of the Company on November 25, 2022.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to both years presented in these consolidated financial statements.

a) Management estimates and judgements

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the amounts reported and disclosed in its consolidated financial statements and related notes. Those include estimates that, by their nature, are uncertain and actual results could differ materially from those estimates. The impacts of such estimates may require accounting adjustments based on future results. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

The areas which require management to make significant estimates, judgments and assumptions in determining carrying values include, but are not limited to:

i) Share-based compensation and payments

The fair value of equity-settled share-based compensation to employees, consultants, directors, officers, and others providing similar services are measured at the fair value of equity instruments at the grant date.

Share based payments to parties other than those described above are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Fair value of options granted as share based compensation is determined using the Black-Scholes Option Pricing Model based on estimates at the date of grant. The Black-Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility and expected life of the award. Changes in these assumptions can significantly affect the fair value estimate.

ii) Deferred taxes

The Company recognizes the deferred tax benefit related to deferred tax assets to the amount that is probable to be realized. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions from deferred tax assets.

iii) Impairment of assets

Mineral property expenditures: Recognition of mineral property expenditures requires judgment from management in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Management is required to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established, and takes into consideration variables such as long-term commodity prices, exploration potential and extraction costs. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amounts capitalized are written off in profit or loss in the period when the new information becomes available.

iv) Depreciation

The Company provides for depreciation using the declining balance method at rates designed to amortize the cost of individual items and their material components over their estimated useful lives. Management's judgment is involved in the determination of useful life and residual values for the calculation of depreciation and no assurance can be given that actual useful lives and residual values will not differ significantly from management's assumptions.

v) Reclamation provisions

When providing for rehabilitation, the Company uses assumptions based on the current economic environment which management believes are reasonable upon which to estimate the future liability. These estimates consider any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates will result in changes to the liability from year to year. Actual costs to settle the future liability will ultimately depend on the market condition at the time the costs are actually incurred.

vi) Flow-through share premium

Management may estimate a premium associated with the sale of flow through shares by comparing the sale price of the flow through shares to their fair value on the date the flow through shares are sold, with reference to the quoted closing market price of the Company's common shares. If a premium is determined, the Company records an increase to share capital equal to the fair value of the common shares on the date of sale, and a deferred flow through share liability equal to any such premium.

b) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, cash on deposit with the Company's financial institution, and highly liquid investments with maturity dates of three months or less. Restricted cash, when applicable, is presented separately from cash and cash equivalents as a current or non-current asset depending on the nature of the restrictions.

c) Farm-outs in the exploration and evaluation phase

The Company does not record any expenditure made by the farmee on its account. It also does not recognize any gain or loss on its exploration and evaluation farm-out arrangements, but redesignates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalized in relation to the whole interest with any excess accounted for by the farmer as a gain on disposal.

d) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost,
- fair value through profit or loss (FVTPL), or
- fair value through other comprehensive income (FVOCI).

In the periods presented, the Company does not have any financial assets categorized as FVOCI. Certain marketable securities are categorized as FVTPL with unrealized gains and losses recognized as a component of net income (loss).

All income and expenses relating to financial assets that are recognized in profit or loss are presented within interest expense, or interest income, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows, and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, restricted cash and accounts receivable fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'.

At each reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the changes in the amount of the expected credit losses. To make that assessment, the Company compares the risk of a default occurring on a financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. Under IFRS 9, cash and cash equivalents, restricted cash, and receivables are subject to impairment testing unless their ECL is immaterial.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Accounts receivable

The Company makes use of a simplified approach in accounting for accounts receivable and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses. The Company assesses impairment of accounts receivable on a collective basis as they possess shared credit risk characteristics and they have been grouped based on the days past due.

Classification and measurement of financial liabilities

A financial liability is initially classified as measured at amortized cost or fair value through profit or loss (FVTPL). A financial liability is classified as FVTPL if it is held for trading, a derivative, or has been designated as FVTPL on initial recognition. Financial liabilities at FVTPL are measured at fair value with changes in fair value, along with any interest expense, recognized in profit or loss. All other financial liabilities are initially recognized at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method.

The Company's financial liabilities are accounts payable and accrued liabilities which have been classified as amortized cost.

e) Foreign currency

The Canadian dollar is the functional and presentation currency of the Company and the Company's subsidiary. Transactions in foreign currencies are translated into the functional currency at exchange rates in effect on the transaction date. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at exchange rates in effect on the reporting date. Non-monetary items are translated at historical exchange rates, except where such items are carried at fair value, in which case they are translated at the exchange rate in effect at the reporting date. The resulting foreign exchange gains or losses are recognized in profit or loss in the periods in which they occur.

f) Income taxes

Income tax expense or recovery is comprised of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss.

Current taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit and loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to the instances where it is probable that future taxable profit will be available against which

the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

g) Government grants

Under certain circumstances the Company receives a benefit from government incentive programs such as investment tax credits. Government incentives are accrued when there is reasonable assurance of realization and reflected as a reduction of the related asset or expense. If the government incentive benefits received are less than the amount accrued and claimed, the difference will be reflected in the measurement of the related asset or in profit and loss in the year in which it is determined.

h) Mineral interests

Mineral property acquisition costs and exploration costs directly related to specific properties are deferred, commencing on the date that the Company acquires legal rights to explore a mineral property, until technical and economic feasibility of extracting a mineral resource is demonstrable, or until the properties are sold or abandoned. All other costs, including administrative overhead are expensed as incurred. If the properties are put into commercial production, the acquisition and exploration expenditures will be depleted using the units of production basis based upon the proven reserves available. If the properties are sold or abandoned, these expenditures will be written off.

Mineral interests are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may exceed their recoverable amount, which is the higher of the asset's fair value less costs to sell and its value in use. Where there is evidence of impairment, the net carrying amount of the asset will be written down to its recoverable amount. Impairment losses are reversed if circumstances change and the net recoverable amount subsequently increases.

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many resource properties. The Company has investigated title to all its mineral properties and, to the best of its knowledge, title to all its properties are in good standing.

i) Income (loss) per share

Income (loss) per share is computed by dividing the net income (loss) by the weighted average number of common shares outstanding during the period. Diluted per share amounts reflect the potential dilution that could occur if stock options or warrants to purchase common shares were exercised and converted to common shares. The treasury stock method of calculating diluted per share amounts is used whereby any proceeds from the exercise of stock options or warrants that are in the money are assumed to be used to purchase common shares of the Company at the average market price during the year. When the Company is in a net loss position, the exercise of options and warrants is anti-dilutive.

j) Provisions

A provision is recognized when; the Company has a present legal or constructive obligation because of a past event, it is probable that a future outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain

timing or amount. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as a financing expense.

k) Share based payments

Share-based compensation related to the issuance of stock options to employees, consultants, directors, and officers pursuant to the Company's stock option plan, is accounted for using the fair value method whereby compensation expense related to these programs is recorded in profit or loss with a corresponding increase to contributed surplus in equity. The fair value of options or compensation warrants issued to agents is recorded as share issue costs with a corresponding increase to contributed surplus.

The fair value of options granted to employees (as defined in IFRS 2) is determined at the grant date using the Black Scholes option pricing model and expensed over the vesting period. The fair value of options and compensation warrants granted to non-employees are valued at the estimated value of the goods or services provided by the non-employee. In the case that the value of goods or services received is not determinable, the Company values these options using the Black Scholes option pricing model.

Consideration paid on the exercise of stock options and warrants is credited to share capital. Upon the exercise of the stock options or compensation warrants, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The Company incorporates an estimated forfeiture rate for stock options and agent's warrants that may not vest.

l) Shares and warrants – measurement

The Company records the value of shares and warrants separately upon the issuance of units consisting of common shares and warrants. The fair value of the shares included in each unit is determined with reference to their market value on the unit issue date, and the residual amount, calculated by subtracting the fair value of the common shares included in the unit from the total consideration received for the unit, is allocated to the warrants. When the market value of the shares is greater than the consideration received for the unit, the consideration for the unit is allocated on a proportionate fair value basis with the fair value of the shares based on the market price, and the fair value of the warrants based on the Black Scholes pricing model.

Flow-through shares

The Company may finance exploration of its Canadian mineral interests partially through proceeds raised upon the issuance of flow-through shares pursuant to the Income Tax Act (Canada). The sale of flow through shares allows the Company to transfer deductibility of qualifying exploration costs to purchasers of flow-through shares.

Upon the issuance of flow through shares, the Company estimates the premium ("Premium") associated with the flow through feature of flow through shares by analyzing the flow through share issue price against other variables such as the market price or issue price of the Company's shares without the flow through attribute. Provided a premium exists upon such comparison, upon sale of the flow through shares, the Company records an increase to share capital equal to the share capital portion of the gross proceeds, and a deferred flow through share liability equal to the Premium, if any. The deferred flow through share premium is classified as current or non-current depending on the Company's expectations

GRIZZLY DISCOVERIES INC.
Notes to the consolidated financial statements
For the years ended July 31, 2022 and 2021

of timing of incurring qualifying exploration expenditures, which underlying tax deductions are to be renounced to the purchasers of flow through shares.

As the Company incurs qualifying exploration expenditures to be renounced to purchasers, the Company recognizes an associated deferred tax liability and expense, representing the deferred tax effect on the Company of forfeiting the deductibility of costs incurred, and the associated deferred flow through share premium is recognized in profit or loss in the period that qualifying exploration expenditures have been incurred.

m) Related party transactions

The Company recognizes related party transactions at their exchange amount, being the amount of consideration paid for received for goods, services, assets or liabilities, provided that the related party transaction is i) in the normal course of business, and ii) has economic substance. For related party transactions which are not in the normal course of business and have no economic substance, the Company records the transaction at the carrying amount.

4. Restricted cash

The Company has restricted cash in the amount of \$5,000 (2021 - \$5,000) as security for corporate credit card liabilities.

5. Other current assets

| As at July 31 | 2022 | 2021 |
|--|-------------------|-------------------|
| Accounts receivable | \$ 1,128 | \$ - |
| Goods and services tax receivable | 6,762 | 15,887 |
| Mineral exploration tax credits receivable | 52,974 | 52,974 |
| Prepayments and deposits | 146,957 | 104,029 |
| Marketable securities | 55,093 | 35,730 |
| Total other current assets | \$ 262,914 | \$ 208,620 |

The Company holds securities of publicly traded companies which it has classified as FVTPL, carried at fair value, with unrealized gains and losses held as a component of net loss.

6. Mineral properties

| | Alberta Diamond Properties | Alberta Potash Properties | BC Precious Metals Properties | Total |
|---|----------------------------------|---------------------------------|-------------------------------------|---------------------|
| Balance, July 31, 2020 | 1 | 1 | 6,917,774 | 6,917,776 |
| Acquisition costs | 42 | 3,414 | 8,004 | 11,460 |
| Exploration and evaluation costs | - | 8,042 | 757,461 | 765,503 |
| Reclamation | - | 50,607 | - | 50,607 |
| Recoveries | - | - | (55,000) | (55,000) |
| Impairment | (42) | (62,063) | - | (62,105) |
| Balance, July 31, 2021 | \$ 1 | \$ 1 | \$ 7,628,239 | \$ 7,628,241 |
| Acquisition costs | - | 4,315 | 1,259 | 5,574 |
| Exploration and evaluation costs | 241 | - | 154,416 | 154,657 |
| Reclamation | - | 3,635 | - | 3,635 |
| Recoveries | - | - | (31,157) | (31,157) |
| Impairment | (241) | (7,950) | - | (8,191) |
| Balance, July 31, 2022 | \$ 1 | \$ 1 | \$ 7,752,757 | \$ 7,752,759 |

BC Precious Metals Properties

Greenwood

During the year ended July 31, 2008, Grizzly signed two option agreements to acquire a 100% interest in the Greenwood property. The vendor retains a combined 2.5% net smelter return royalty ("NSR") on the property which Grizzly can reduce by up to 1.5% for a price of \$1,500,000. All of the expenditure requirements under the option agreements have been met and the Company is now the 100% owner of the underlying mineral claims subject to the NSR.

During the year ended July 31, 2009, Grizzly signed an option agreement to acquire a 100% interest in the Sidley Gold-Dayton Copper property, contiguous with Grizzly's other Greenwood claims. The vendor will retain a 2.5% NSR which Grizzly can reduce by up to 1.5% for a price of \$1,500,000. The Company is the 100% owner of the underlying mineral claims subject to the NSR described above.

Prior to August 1, 2010, the Company had acquired several mineral claims which form part of the Company's Greenwood Gold project. Certain of these properties are subject to a 3% NSR.

Twenty percent of certain mineral claims underlying the Greenwood property (the "Rock Creek claims") are owned by an unrelated third party and are subject to a carried interest.

During the year ended July 31, 2021, the Company entered into two agreements with unrelated parties to option portions of the Greenwood property.

Midway Farm Out and Joint Venture

On March 12, 2021, the Company entered into an option agreement (“Midway Agreement”) with Baden Resources Inc. (“Baden”) whereby Baden had the option to earn a 75% interest in certain mineral claims within the Company’s Greenwood exploration area of interest in Southeast British Columbia (“Midway Claims”).

During the year ended July 31, 2022, prior to the first anniversary of Baden successfully listing on the CSE, Baden terminated the Midway Agreement.

As at July 31, 2022, the Company had received cash payments totalling \$20,000 from Baden and 200,000 common shares of Baden (valued at \$30,000 at initial recognition), which were recorded as a reduction to the carrying value of Mineral Properties on the consolidated statement of financial position.

Ket-28 Farm Out and Joint Venture

On July 27, 2021, the Company entered into an option agreement (“Ket-28 Agreement”) with Hi-View Resources Inc. (“Hi-View”) whereby Hi-View may earn a 60% interest in certain mineral claims within the Company’s Greenwood exploration area of interest in Southeast British Columbia (“Ket-28 Claims”), in which the Company holds an 80% interest. In order to earn the 60% interest in the Ket-28 Claims, the Ket-28 Agreement requires Baden, over the five year term of the Ket-28 Agreement, to:

- a) pay cash payments totalling \$500,000 to the Company (including \$5,000 upon signing of the Option Agreement, \$15,000 upon Hi-View successfully being listed on the CSE and subsequent payments totalling \$480,000 over the term of the Ket-28 Agreement);
- b) Issue an aggregate 800,000 common shares of Hi-view (“Hi-View Shares”) to the Company, including 200,000 Hi-View Shares upon listing on the CSE, and 120,000 Hi-View Shares on each of the first 5 anniversaries of Hi-View successfully listing on the CSE; and,
- c) Exploration expenditures on the Ket-28 Claims totalling \$1,100,000 over the term of the Option Agreement, including \$100,000 prior to December 31, 2022.

The Ket-28 Claims are comprised of 16 mineral claims covering 3,432 ha and are part of the Company’s larger Greenwood Property located around the town of Greenwood in southeastern BC along the US border. The Midway Property is subject to a 3rd Party NSR of 2.5% that can be bought down to 1% with payments of \$500,000 per 0.5%.

As at July 31, 2022, the Company had received cash payments totalling \$20,000 from Hi-View and 200,000 Hi-View Shares (valued at \$30,000 at initial recognition) which has been recorded as a reduction to the carrying value of Mineral Properties on the consolidated statement of financial position, net of related legal fees of \$13,843.

Robocop

On May 16, 2018, the Company announced that it had acquired five mineral claims in Southeastern British Columbia (the “Robocop Property”). The Robocop Property was purchased from arm’s length vendors pursuant to a purchase agreement dated May 11, 2018 in exchange for the issuance of 2,000,004 common shares of the Company and 2,000,004 common share purchase warrants, with each common share purchase warrant entitling the holder to acquire an additional common share at an exercise price of \$0.14 within a period of three years from issuance. The common shares issued to the vendors were valued at \$0.09 per common share for an aggregate purchase price of \$180,000 for the Robocop Property.

Under the terms of the Purchase Agreement, the Robocop Property carries a 3% NSR in favour of certain of the vendors, and, under the terms of the Agreement, Grizzly has the right to purchase up to 2% of the NSR

(down to 1% NSR) within two years after the delivery of a positive Feasibility Study for the Property, for the amount of \$1,500,000.

Alberta Potash Properties

The Company has an outstanding environmental reclamation provision related to the reclamation of an exploratory potash test well in Southern Alberta, recorded in the consolidated statement of financial position as a reclamation provision. The Company recorded a reclamation provision in the amount of \$135,768 (2021 - \$257,490), being the present value of management's current estimate of the well site reclamation less approved government funding pursuant to the Government of Alberta's Site Rehabilitation Program ("SRP").

Subsequent to July 31, 2022, the Company has engaged an oilfield services provider to complete downhole reclamation which is partially funded by the SRP. The Company estimates that downhole reclamation will cost the Company an additional \$121,629 above the SRP funding and the work is expected to be completed in the year ended July 31, 2023. The Company has estimated that, subsequent to completion of the downhole reclamation, it will incur approximately \$15,000 in additional costs for testing and surface reclamation, which work is expected to be completed by July 31, 2024. The Company has discounted the surface reclamation portion of the reclamation provision on the consolidated statement of financial position at July 31, 2022 using a risk-free rate of 3% with an estimated settlement date of July 31, 2024. No discount has been applied to the downhole reclamation portion as it is expected to be completed in the next fiscal year.

At July 31, 2021, the Company had recorded a reclamation provision in the amount of \$257,490, being the present value of management's estimate at that time of the well site reclamation, discounted using a risk-free rate of 1.33% with an estimated settlement date of July 31, 2026.

The Company has a security deposit outstanding related to these wells in the amount of \$32,176 (2021 - \$31,956), including accumulated interest, pursuant to government regulation. The security deposit and accumulated interest is refundable to the Company upon successful reclamation of the wells and has therefore been classified as non-current on the consolidated statement of financial position.

As the Company has not conducted substantive exploration on the Alberta Potash properties in several years and, as a result, in the year ended July 31, 2017, the Company impaired the carrying value to a nominal amount of \$1. The change in estimate related to the reclamation provision in the year ended July 31, 2022, net of the SRP funding, has been recognized in the statement of loss and comprehensive loss as a recovery of reclamation obligation.

Certain mineral claims underlying the Alberta Potash properties expired prior to 2020, and the Company has re-acquired the claims assessed to be most prospective for potash through non-competitive bids with the Government of Alberta. The Company does not currently have plans or the financial resources to explore the Alberta Potash Properties. In the case that materially all mineral claims in the Alberta Potash Property expire and are not re-acquired, the nominal \$1 carrying value will be derecognized through impairment.

Impairment

The Company incurred costs of \$241 (2021 - \$42) related to its Alberta Diamonds properties which had been written down to a nominal carrying value of \$1 in prior years. These costs have been reported as an impairment on the consolidated statements of loss and comprehensive loss.

The Company incurred costs of \$7,950 (2021 - \$62,063) related to its Alberta Potash properties which had been written down to a nominal carrying value of \$1 in the prior year. These costs have been reported as an impairment on the consolidated statements of loss and comprehensive loss.

GRIZZLY DISCOVERIES INC.
Notes to the consolidated financial statements
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7. Income taxes

Income tax expense

| For the years ended July 31 | 2022 | 2021 |
|---|-----------------|-------------|
| Current tax expense | \$ - | \$ - |
| Deferred tax expense: | | |
| Origination and reversal of temporary differences | 24,869 | 32,034 |
| Tax rate changes and tax rate differences | - | - |
| Change in unrecognized deductible temporary differences | (24,869) | (32,034) |
| Total income tax expense | \$ - | \$ - |

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates to income before tax as follows:

| For the years ended July 31 | 2022 | 2021 |
|--|---------------|--------------|
| Loss before tax | \$ (453,292) | \$ (364,164) |
| Statutory combined income tax rate | 23.00% | 23.00% |
| Expected income tax | \$ (100,117) | \$ (83,758) |
| Increase (decrease) resulting from: | | |
| Non-deductible expenses | 56,685 | 123,156 |
| Change in unrecognized assets | 24,869 | (32,034) |
| True up of prior year amounts | 18,563 | - |
| Change in tax rates and rate differences | - | (7,365) |
| Income tax expense | \$ - | \$ - |

Recognized deferred tax assets and liabilities

Deferred tax assets are attributable to the following:

| As at July 31 | 2022 | 2021 |
|-------------------------------|-------------------|-------------|
| Non-capital losses | \$ 272,909 | \$ 221,341 |
| Deferred tax assets | \$ 272,909 | \$ 221,341 |
| Set off of tax | (272,909) | (221,341) |
| Net deferred tax asset | \$ - | \$ - |

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Deferred tax liabilities are attributable to the following:

| As at July 31 | 2022 | 2021 |
|-----------------------------------|------------------|------------------|
| Mineral properties | \$ (272,909) | \$ (220,682) |
| Other | - | (659) |
| | <u>(272,909)</u> | <u>(221,341)</u> |
| Deferred tax liabilities | (272,909) | (221,341) |
| Set off of tax | <u>272,909</u> | <u>221,341</u> |
| Net deferred tax liability | \$ - | \$ - |

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

| As at July 31 | 2022 | 2021 |
|----------------------------------|---------------------|---------------------|
| Deductible temporary differences | \$ 440,330 | \$ 453,155 |
| Tax losses | <u>6,644,931</u> | <u>6,523,978</u> |
| | \$ 7,085,261 | \$ 6,977,133 |

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom. The Company has \$7,831,490 (2021 - \$7,489,195) of Canadian non-capital loss carry-forwards, of which \$6,644,931 have not been recognized, which are estimated to expire between 2030 and 2042.

8. Share capital

Private Placement (June 2022)

On June 13, 2022, the Company closed on a private placement of 1,417,777 Units at a price of \$0.09 per Unit for gross proceeds of \$127,600.

Each Unit consisted of one common share of the Company and one warrant ("Warrants") Each whole Warrant entitles the holder to acquire one additional common share at an exercise price of \$0.12 per Common Share until June 13, 2024.

The Company has allocated the proceeds of the private placement using the relative fair value method. The proceeds to the common shares was \$76,560, and to the warrants was \$51,040.

Private Placement (April 2022)

On April 22, 2022, the Company closed on a private placement of 2,383,340 Units and 25,026,670 FT Units at a price of \$0.06 per Unit and FT Unit for gross proceeds of \$1,644,600.

Each Unit consisted of one common share of the Company and one warrant ("Warrants"). Each FT Unit consisted of one common share issued as a flow through share for the purposes of the Income Tax Act (Canada) and one half of one Warrant. Each whole Warrant entitles the holder to acquire one additional common share at an exercise price of \$0.08 per Common Share until April 22, 2024.

In connection with the Offering, the Company paid cash finder's fees totaling \$11,340, issued 1,852,200 Finder Warrants (with the same terms and expiry date as the Warrants) to registered dealers recorded at an estimated fair value of \$48,157, and 1,663,200 Units as commission with a fair value of \$99,792. The Company has allocated the proceeds of the private placement using the relative fair value method. The proceeds to the common shares was \$931,940, to the warrants was \$387,314, and to the deferred flow through liability was \$325,347. The 1,663,200 commission Units have been allocated as \$56,549 to the common shares, and \$43,243 to the Warrants.

Private Placement (March 2022)

On March 24, 2022, the Company closed on a private placement of 3,000,000 Units and 1,014,000 FT Units at a price of \$0.05 per Unit and FT Unit for gross proceeds of \$200,700.

Each Unit consisted of one common share of the Company and one non-transferable warrant ("Warrants"). Each FT Unit consisted of one common share issued as a flow through share for the purposes of the Income Tax Act (Canada) and one half of one Warrant. Each whole Warrant entitles the holder to acquire one additional common share at an exercise price of \$0.075 per Common Share until the earlier of: (a) 30 days following the issuance of a news release by the Company that the trading price of the Common Shares on the TSX Venture Exchange is at or greater than \$0.10 per Common Share for 10 consecutive trading days; and (b) March 24, 2024.

In connection with the Offering, the Company paid cash finder's fees totaling \$4,002 and issued 80,040 Finder Warrants (with the same terms and expiry date as the Warrants) to registered dealers, recorded at an estimated fair value of \$1,600. The Company has allocated the proceeds of the private placement using the relative fair value method. The proceeds to the common shares was \$120,420, to the warrants was \$70,140, and to the deferred flow through liability was \$10,140.

Private Placement (December 2021)

On December 30, 2021, the Company closed on a private placement by the issuance of 600,000 Units and 2,500,000 FT Units at a price of \$0.05 per Unit and FT Unit for gross proceeds of \$155,000.

Each Unit consisted of one common share of the Company and one non-transferable warrant ("Warrants"). Each FT Unit consisted of one common share issued as a flow through share for the purposes of the Income Tax Act (Canada) and one half of one Warrant. Each whole Warrant entitles the holder to acquire one additional common share at an exercise price of \$0.075 per Common Share until the earlier of: (a) 30 days following the issuance of a news release by the Company that the trading price of the Common Shares on the TSX Venture Exchange is at or greater than \$0.10 per Common Share for 10 consecutive trading days; and (b) December 30, 2023.

In connection with the Offering, the Company paid cash finder's fees totaling \$7,500 and issued 150,000 Finder Warrants (with the same terms and expiry date as the Warrants) to registered dealers, recorded at an estimated fair value of \$2,700. The Company has allocated the proceeds of the private placement using the relative fair value method. The proceeds to the common shares was \$99,200, to the warrants was \$33,300, and to the flow through liability was \$22,500.

Private Placement (June 2021)

On June 2, 2021, the Company closed on a private placement of 300,000 Units and 3,008,466 FT Units at a price of \$0.06 per Unit and FT Unit for gross proceeds of \$198,508.

Each Unit consisted of one common share of the Company and one non-transferable warrant. Each FT Unit consisted of one common share issued as a flow through share for the purposes of the *Income Tax Act* (Canada) and one half of one warrant. Each whole warrant entitles the holder to acquire one additional common share at an exercise price of \$0.085 per Common Share until the earlier of : (a) 30 days following the issuance of a news release by the Company that the trading price of the Common Shares on the TSX Venture Exchange is at or greater than \$0.10 per Common Share for 10 consecutive trading days; and (b) June 2, 2023.

The Company has allocated the proceeds of the private placement using the relative fair value method. For the Units, the proceeds allocated to the shares was \$10,800 and to the warrants was \$7,200. For the flow through units the proceeds allocated to the shares was \$108,305, to the warrants was \$36,102 and to the flow-through liability was \$36,101.

In connection with the offering, the Company paid cash commissions of \$6,150 and issued 102,504 Finder Warrants (with terms equivalent to the Warrants) to registered dealers, with an estimated fair value of \$2,460.

Private Placement (October/November 2020)

Between October 30 and November 19, 2020, the Company closed on a private placement by the issuance of 500,000 Units (as defined below) and 2,990,000 FT Units (as defined below) at a price of \$0.07 per Unit and per FT Unit for gross proceeds of \$244,300.

Each Unit consisted of one common share of the Company and one non-transferable warrant. Each FT Unit consisted of one common share issued as a flow through share for the purposes of the *Income Tax Act* (Canada) and one half of one warrant. Each whole warrant entitles the holder to acquire one additional common share at an exercise price of \$0.10 per Common Share until the earlier of : (a) 30 days following the issuance of a news release by the Company that the trading price of the Common Shares on the TSX Venture Exchange is at or greater than \$0.15 per Common Share for 10 consecutive trading days; and (b) two years from the date of issuance.

The Company has allocated the proceeds of the private placement using the relative fair value method. For the Units, the proceeds allocated to the shares was \$22,000 and to the warrants was \$13,000. For the flow through units the proceeds allocated to the shares was \$131,560, to the warrants was \$38,870 and to the flow-through liability was \$38,870. The Company did not pay any commissions or issue any Finder Warrants in this offering.

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Common shares

The Company's articles authorize an unlimited number of common shares with no par value and an unlimited number of preferred shares. The Company has not issued any preferred shares. A summary of changes in common share capital is as follows:

| | Number of Shares | Weighted average issue price | Amount |
|---------------------------------------|---------------------|------------------------------------|----------------------|
| Balance, July 31, 2020 | 86,486,714 | | \$ 21,231,217 |
| Shares issued in private placements | 6,798,466 | \$ 0.040 | 272,665 |
| Costs of share issuance | - | | (18,286) |
| | | | <hr/> |
| Balance, July 31, 2021 | 93,285,180 | | 21,485,596 |
| Shares issued in private placements | 37,604,987 | \$ 0.034 | 1,284,669 |
| Shares issued on exercise of warrants | 4,421,060 | \$ 0.075 | 331,580 |
| Warrant capital reclassified | - | | 88,420 |
| Shares issued on exercise of options | 1,875,000 | \$ 0.051 | 96,250 |
| Contributed surplus reclassified | - | | 65,000 |
| Costs of share issuance | - | | (213,375) |
| | | | <hr/> |
| Balance, July 31, 2022 | 137,186,227 | | \$ 23,138,140 |

Common share purchase warrants

A summary of changes in common share purchase warrant capital is as follows:

| | Number of Warrants | Weighted average issue price | Amount |
|---|-----------------------|------------------------------------|-------------------|
| Balance, July 31, 2020 | 23,154,671 | | \$ 362,466 |
| Warrants issued in private placements | 3,799,233 | \$ 0.025 | 95,172 |
| Finder Warrants issued in private placement | 102,504 | \$ 0.024 | 2,460 |
| Warrants expired | (6,041,771) | \$ 0.003 | (20,209) |
| | | | <hr/> |
| Balance, July 31, 2021 | 21,014,637 | | 439,889 |
| Warrants issued in private placements | 23,334,652 | \$ 0.025 | 585,037 |
| Finder Warrants issued in private placement | 2,082,240 | \$ 0.025 | 52,457 |
| Warrants exercised | (4,421,060) | \$ 0.020 | (88,420) |
| Warrants expired | (12,691,840) | \$ 0.020 | (253,837) |
| | | | <hr/> |
| Balance, July 31, 2022 | 29,318,629 | | \$ 735,126 |

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A summary of share purchase warrants outstanding is as follows:

| As at July 31, 2022 | | | | As at July 31, 2021 | | | |
|---------------------|----------------------|----------------------|-----------------|---------------------|----------------------|----------------------|-----------------|
| Exercise price | Warrants outstanding | Warrants exercisable | Years to expiry | Exercise price | Warrants outstanding | Warrants exercisable | Years to expiry |
| \$ - | - | - | - | \$ 0.075 | 16,135,000 | 16,135,000 | 1.0 |
| \$ - | - | - | - | \$ 0.075 | 977,900 | 977,900 | 1.0 |
| \$ 0.100 | 1,795,000 | 1,795,000 | 0.2 | \$ 0.100 | 1,795,000 | 1,795,000 | 1.2 |
| \$ 0.100 | 200,000 | 200,000 | 0.3 | \$ 0.100 | 200,000 | 200,000 | 1.3 |
| \$ 0.085 | 1,804,233 | 1,804,233 | 0.8 | \$ 0.085 | 1,804,233 | 1,804,233 | 1.8 |
| \$ 0.085 | 102,504 | 102,504 | 0.8 | \$ 0.085 | 102,504 | 102,504 | 1.8 |
| \$ 0.075 | 2,000,000 | 2,000,000 | 1.4 | \$ - | - | - | - |
| \$ 0.075 | 3,587,040 | 3,587,040 | 1.6 | \$ - | - | - | - |
| \$ 0.080 | 18,412,075 | 18,412,075 | 1.7 | \$ - | - | - | - |
| \$ 0.120 | 1,417,777 | 1,417,777 | 1.9 | \$ - | - | - | - |
| \$ 0.083 | 29,318,629 | 29,318,629 | 1.5 | \$ 0.078 | 21,014,637 | 21,014,637 | 1.1 |

Common share purchase options

A summary of stock option activity is as follows:

| | Number of options | Weighted average exercise price |
|--|--------------------|---------------------------------|
| Outstanding stock options, July 31, 2020 | 6,525,000 | \$ 0.08 |
| Issued | 2,550,000 | \$ 0.06 |
| Expired | <u>(2,900,000)</u> | \$ 0.08 |
| Outstanding stock options, July 31, 2021 | 6,175,000 | \$ 0.08 |
| Issued | 3,500,000 | \$ 0.09 |
| Exercised | (1,875,000) | \$ 0.05 |
| Expired | <u>(450,000)</u> | \$ 0.10 |
| Outstanding stock options, July 31, 2022 | <u>7,350,000</u> | \$ 0.08 |

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A summary of stock options outstanding is as follows:

| As at July 31, 2022 | | | | As at July 31, 2021 | | | |
|---------------------|---------------------|---------------------|-----------------|---------------------|---------------------|---------------------|-----------------|
| Exercise price | Options outstanding | Options exercisable | Years to expiry | Exercise price | Options outstanding | Options exercisable | Years to expiry |
| \$ - | - | - | - | \$ 0.050 | 1,375,000 | 1,375,000 | 0.9 |
| \$ 0.100 | 800,000 | 800,000 | 1.0 | \$ 0.100 | 950,000 | 950,000 | 2.0 |
| \$ 0.100 | 500,000 | 500,000 | 1.3 | \$ 0.100 | 800,000 | 800,000 | 2.3 |
| \$ - | - | - | - | \$ 0.050 | 250,000 | 250,000 | 3.0 |
| \$ 0.050 | 250,000 | 250,000 | 2.3 | \$ 0.050 | 250,000 | 250,000 | 3.3 |
| \$ 0.080 | 250,000 | 250,000 | 3.0 | \$ 0.080 | 250,000 | 250,000 | 4.0 |
| \$ 0.065 | 200,000 | 200,000 | 3.1 | \$ 0.065 | 200,000 | 200,000 | 4.1 |
| \$ 0.075 | 100,000 | 100,000 | 1.2 | \$ 0.075 | 100,000 | 100,000 | 2.2 |
| \$ 0.060 | 1,750,000 | 1,750,000 | 3.5 | \$ 0.060 | 2,000,000 | 2,000,000 | 4.5 |
| \$ 0.090 | 3,500,000 | 3,500,000 | 4.9 | \$ - | - | - | - |
| \$ 0.082 | 7,350,000 | 7,350,000 | 3.6 | \$ 0.070 | 6,175,000 | 6,175,000 | 2.9 |

During the year ended July 31, 2022, the Company issued an aggregate of 3,500,000 (2021 – 2,550,000) stock options to directors, officers, and consultants at a weighted average exercise price of \$0.09 (2021 - \$0.06) per common share and expiring no later than 5 years from the issue date. These options all vested upon issuance.

The total estimated fair value of the 3,500,000 (2021 – 2,550,000) common share purchase options vested during the year of \$280,000 (2021 - \$133,500) was recorded as share based compensation expense and an increase to contributed surplus. The weighted average grant date fair value of \$0.080 (2021 - \$0.055) per option granted was estimated using the Black Scholes option pricing model using the following weighted average grant date assumptions: grant date stock price \$0.080 (2021 - \$0.063); risk-free rate 3.10% (2021 – 0.41%); expected volatility 146% (2021 - 141%); annual dividend yield 0%, and; expected life of option 5 years. The expected volatility is based on historic volatility (based on the remaining life of the options) adjusted for any expected changes to future volatility due to publicly available information.

9. General and administrative expenses

| For the years ended July 31 | 2022 | 2021 |
|--|-------------------|-------------------|
| Advertising and promotion | \$ 111,664 | \$ 102,862 |
| Conferences and corporate travel | 2,781 | 2,506 |
| Consulting fees (note 12) | 95,970 | 99,812 |
| Office and administration | 14,763 | 19,069 |
| Regulatory and transfer fees | 32,752 | 36,719 |
| Professional fees | 41,432 | 40,326 |
| General and administrative expenses | \$ 299,362 | \$ 301,294 |

10. Supplemental cash flow information

Interest and dividends received and paid

During the year ended July 31, 2022, the Company received interest of \$11,267 (2021 - \$2,678) from deposits with its financial institution. The Company did not pay any interest or dividends, nor did it receive any dividends, in either of the years ended July 31, 2022 or 2021.

Non-cash transactions eliminated from the consolidated statements of cash flows

The following table lists non-cash transactions which were recorded in the years ended July 31, 2022 and 2021 and have been eliminated from the consolidated statements of cash flows.

| For the years ended July 31 | 2022 | 2021 |
|--|-------------|-------------|
| Mineral exploration tax credits accrued as a reduction of mineral properties | \$ - | \$ 52,974 |
| Increase in accounts payable related to investing activities | \$ 8,045 | \$ 22,257 |
| Increase (Decrease) in accounts payable related to financing activities | \$ 1,939 | \$ (3,472) |
| Warrants issued as share issue costs | \$ 52,457 | \$ 2,460 |
| Marketable securities received under option agreements recorded as a reduction of mineral properties | \$ 30,000 | \$ 30,000 |

11. Financial instruments and risk management

General objectives, policies and processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the Board and the Company's finance function is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility and to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. Further details regarding these policies are set out below.

The Company's financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, and accounts payable and accrued liabilities.

The Company is exposed to the following financial risks:

- i) Market risk
- ii) Credit risk
- iii) Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk: currency risk, interest rate risk, other price risk.

Currency risk

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company maintains a negligible United States of America Dollar ("USD") cash balance for incidental USD expenses, therefore is not exposed to a material amount of currency risk.

Interest rate risk

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments. The Company holds no interest-bearing financial liabilities; therefore, interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with its financial institution. The Company considers this risk to be minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company monitors its risk by monitoring the maturity dates of payables. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

To achieve this objective, the Company regularly monitors working capital positions and updates spending plans as considered necessary. Further, the Company utilizes authorizations for expenditure on exploration projects to further manage expenditures. Monthly working capital and expenditure reports are prepared by the Company's finance function and presented to management for review.

As at July 31, 2022, Grizzly's working capital was \$1,979,999 (2021 - \$253,919). The continuing operations of the Company are dependent upon its ability to obtain adequate financing and to commence profitable operations in the future. Grizzly may have to seek additional debt or equity financing, and there can be no assurance that such financing will be available on terms acceptable to the Company.

Credit risk

Credit risk is the risk of potential loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents.

The Company has assessed its exposure to credit risk on its cash and cash equivalents and has determined that such risk is minimal. The majority of the Company's cash and cash equivalents are held with reputable financial institutions in Canada.

Fair values

The consolidated statement of financial position carrying amounts for cash and cash equivalents, restricted cash, and accounts payable and accrued liabilities approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Financial assets and liabilities that are recognized on the consolidated statement of financial position at fair value are classified in a hierarchy that is based on significance of the inputs used in making the measurements. The levels in the hierarchy are:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can assess at the measurement date;
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly as prices or indirectly derived from prices; and
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

As at July 31, 2022, the Company has no recognized financial assets or liabilities carried at fair value other than marketable securities carried at their fair value of \$55,093 (2021 - \$35,730), classified as Level 1.

Capital management

The Company monitors its equity as capital.

The Company's objectives in managing its capital are to maintain a sufficient capital base to support its operations and to meet its short-term obligations and at the same time preserve investors' confidence and retain the ability to seek out and acquire new projects of merit.

There were no changes since the prior year in the Company's capital management. The Company is not exposed to any externally imposed capital requirements.

12. Related party transactions

Key management compensation

Key management personnel are persons responsible for planning, directing, and controlling the activities of an entity, and include officers and executive and non-executive directors. Key management personnel compensation is summarized below:

| For the years ended July 31 | 2022 | 2021 |
|---|-------------------|-------------------|
| Management consulting fees paid to officers | \$ 60,000 | \$ 66,000 |
| Share based compensation | 200,000 | 87,500 |
| Total Key management compensation | \$ 260,000 | \$ 153,500 |

All cash settled amounts disclosed above were fully paid at July 31, 2022 and 2021.

In the year ended July 31, 2022, the Company paid or accrued \$14,000 (2021 - \$18,000) to a corporation in which an officer and director of the Company has a significant interest for the use of facilities and storage related to the Company's exploration program. These costs are included in the additions to mineral properties on the consolidated statement of financial position as at July 31, 2022.

The Company's related party transactions are in the normal course of operations and are measured at the amount of consideration agreed to by the related parties, with the exception of the fair value of share-based compensation which is measured at its estimated fair value as determined using the Black Scholes option valuation model.

13. Subsequent Events

Warrants and Options Exercised

Subsequent to July 31, 2022, the Company issued 3,390,200 common shares upon the exercise of warrants for proceeds of \$271,831 and issued 800,000 common shares upon the exercise of options for proceeds of \$52,000.

Midway-Picturestone Option Agreement

On October 9, 2022, the Company entered into an option agreement with an arm's length individual to acquire mineral rights over 317 hectares in the Greenwood area of British Columbia. Under the terms of the option, the Company made an initial cash payment of \$5,000 and issued 50,000 common shares to the optionor. To complete the option, the Company must pay an additional \$10,000 in cash and issue an additional 100,000 common shares of the Company to the optionor by November 3, 2025.