

# **HUNTSMAN EXPLORATION INC.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**SIX MONTHS ENDED FEBRUARY 28, 2023 AND 2022**

**(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)**

## **NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed consolidated interim financial statements by an entity's auditor.

April 20, 2023

**HUNTSMAN EXPLORATION INC.**  
**Condensed Consolidated Interim Statements of Financial Position**  
**(Expressed in Canadian Dollars)**

	February 28, 2023	August 31, 2022
	(unaudited)	
<b>ASSETS</b>		
Current		
Cash	\$ 84,750	\$ 191,069
Term deposit	18,346	17,976
Marketable securities (Note 7)	25,000	-
Amounts receivable	6,098	19,489
Prepaid expenses	2,271	6,349
	136,465	234,883
Exploration and evaluation assets (Notes 6 and 8)	7,135,797	6,953,407
	<b>\$ 7,272,262</b>	<b>\$ 7,188,290</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 473,502	\$ 258,278
	473,502	258,278
<b>Equity</b>		
Share capital (Note 9)	29,350,978	28,635,978
Shares issuable (Note 6)	-	715,000
Reserves (Note 9)	2,909,991	2,909,991
Deficit	(25,337,510)	(25,103,066)
Accumulated other comprehensive loss	(124,699)	(227,891)
	6,798,760	6,930,012
	<b>\$ 7,272,262</b>	<b>\$ 7,188,290</b>

Going Concern (Note 2)  
Commitments (Note 6)  
Subsequent Event (Note 14)

Authorized for issuance on behalf of the Board on April 20, 2023:

"Nathan Tribble" Director

"Jeremy Ross" Director

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

**HUNTSMAN EXPLORATION INC.**  
**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss**  
**(Unaudited – Expressed in Canadian Dollars)**

	Three Months Ended		Six Months Ended	
	February 28, 2023	February 28, 2022	February 28, 2023	February 28, 2022
<b>Expenses</b>				
Consulting fees (Note 8)	\$ 38,396	\$ 145,373	\$ 76,792	\$ 267,373
Foreign exchange	18	2,097	18	1,294
General exploration (recovery) (Notes 6(d), 7 and 8)	(25,000)	44,745	(24,717)	61,995
Management fees (Note 8)	31,558	49,159	63,116	98,738
Office and general	17,294	18,617	34,843	36,656
Professional fees	19,433	20,963	34,306	83,806
Rent (Note 8)	15,000	21,832	34,416	43,748
Share-based payments (Notes 8 and 9)	-	270,111	-	270,111
Shareholder communications and investor relations	2,389	69,620	5,290	131,538
Transfer agent and filing fees	7,327	9,083	10,756	12,192
<b>Loss Before Other Item</b>	<b>(106,415)</b>	<b>(651,600)</b>	<b>(234,820)</b>	<b>(1,007,451)</b>
<b>Other Item</b>				
Interest income	136	115	376	506
<b>Net Loss for the Period</b>	<b>(106,279)</b>	<b>(651,485)</b>	<b>(234,444)</b>	<b>(1,006,945)</b>
<b>Other Comprehensive Loss</b>				
Item that may be reclassified subsequently to income or loss:				
Exchange difference on translating foreign operations	43,183	33,321	103,192	(894)
<b>Comprehensive Loss for the Period</b>	<b>\$ (63,096)</b>	<b>\$ (618,164)</b>	<b>\$ (131,252)</b>	<b>\$ (1,007,839)</b>
<b>Loss per Share – Basic and Diluted</b>	<b>\$ (0.01)</b>	<b>\$ (0.06)</b>	<b>\$ (0.02)</b>	<b>\$ (0.10)</b>
<b>Weighted Average Number of Common Shares Outstanding</b>				
	15,724,740	11,824,760	15,358,442	10,333,382

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

**HUNTSMAN EXPLORATION INC.**  
**Condensed Consolidated Interim Statements of Changes in Equity**  
**(Unaudited – Expressed in Canadian Dollars)**

	Share Capital		Shares Issuable	Reserves	Deficit	Accumulated Other Comprehensive Income (Loss)	Total
	Number of Shares	Share Capital					
<b>Balance, August 31, 2021</b>	<b>8,721,987</b>	<b>\$ 25,159,753</b>	<b>\$ -</b>	<b>\$ 2,639,880</b>	<b>\$ (16,636,302)</b>	<b>\$ (104,136)</b>	<b>\$ 11,059,195</b>
Private placements	3,102,753	2,171,927	-	-	-	-	2,171,927
Share issuance costs	-	(125,702)	-	-	-	-	(125,702)
Share-based payments	-	-	-	270,111	-	-	270,111
Net loss for the period	-	-	-	-	(1,006,945)	-	(1,006,945)
Exchange difference on translating foreign operations	-	-	-	-	-	(894)	(894)
<b>Balance, February 28, 2022</b>	<b>11,824,740</b>	<b>27,205,978</b>	<b>-</b>	<b>2,909,991</b>	<b>(17,643,247)</b>	<b>(105,030)</b>	<b>12,367,692</b>
Shares issued for exploration and evaluation assets	2,600,000	1,430,000	-	-	-	-	1,430,000
Shares to be issued for PieCo acquisition (Note 6(d))	-	-	715,000	-	-	-	715,000
Net loss for the period	-	-	-	-	(7,459,819)	-	(7,459,819)
Exchange difference on translating foreign operations	-	-	-	-	-	(122,861)	(122,861)
<b>Balance, August 31, 2022</b>	<b>14,424,740</b>	<b>28,635,978</b>	<b>715,000</b>	<b>2,909,991</b>	<b>(25,103,066)</b>	<b>(227,891)</b>	<b>6,930,012</b>
Shares issued for PieCo acquisition (Note 6(d))	1,300,000	715,000	(715,000)	-	-	-	-
Net loss for the period	-	-	-	-	(234,444)	-	(234,444)
Exchange difference on translating foreign operations	-	-	-	-	-	103,192	103,192
<b>Balance, February 28, 2023</b>	<b>15,724,740</b>	<b>\$ 29,350,978</b>	<b>\$ -</b>	<b>\$ 2,909,991</b>	<b>\$ (25,337,510)</b>	<b>\$ (124,699)</b>	<b>\$ 6,798,760</b>

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

**HUNTSMAN EXPLORATION INC.**  
**Condensed Consolidated Interim Statements of Cash Flows**  
**For the Six Months Ended February 28,**  
**(Unaudited – Expressed in Canadian Dollars)**

	<b>2023</b>	<b>2022</b>
<b>Operating Activities</b>		
Net loss for the period	\$ (234,444)	\$ (1,006,945)
Items not involving cash		
Foreign exchange gain	(5,073)	-
General exploration	(25,000)	-
Share-based payments	-	270,111
Changes in non-cash working capital balances		
Amounts receivable	13,391	75,919
Prepaid expenses	4,078	2,214
Accounts payable and accrued liabilities	215,247	12,281
<b>Cash Used in Operating Activities</b>	<b>(31,801)</b>	<b>(646,420)</b>
<b>Investing Activity</b>		
Exploration and evaluation asset expenditures, net	(73,181)	(552,464)
<b>Cash Used in Investing Activity</b>	<b>(73,181)</b>	<b>(552,464)</b>
<b>Financing Activities</b>		
Shares issued for cash	-	2,171,927
Share issuance costs	-	(125,702)
<b>Cash Provided by Financing Activities</b>	<b>-</b>	<b>2,046,225</b>
<b>Change in Cash</b>	<b>(104,982)</b>	<b>847,341</b>
<b>Effect of Exchange Rates on Cash</b>	<b>(1,337)</b>	<b>(2,707)</b>
<b>Cash, Beginning of Period</b>	<b>191,069</b>	<b>736,649</b>
<b>Cash, End of Period</b>	<b>\$ 84,750</b>	<b>\$ 1,581,283</b>

**Supplemental Disclosure with Respect to Cash Flows (Note 12)**

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

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**HUNTSMAN EXPLORATION INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Six Months Ended February 28, 2023 and 2022**  
**(Unaudited – Expressed in Canadian Dollars)**

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**1. NATURE OF OPERATIONS**

Huntsman Exploration Inc. (the “Company”) is an exploration stage company incorporated pursuant to the British Columbia *Business Corporations Act* on March 31, 2011. The principal business of the Company is the acquisition, exploration and evaluation of mineral properties, as well as exploration of mineral properties once acquired. The Company’s shares are listed for trading on the TSX Venture Exchange (“TSX-V”) under the symbol “HMAN” and on the US OTC Markets under the symbol “BBBMF”. The address of the Company’s corporate office and its principal place of business is 1680 – 200 Burrard Street, Vancouver, British Columbia, Canada, V6C 3L6.

On March 10, 2023, the Company consolidated its common shares on the basis of one new share for ten old shares. All share and per share amounts have been revised to reflect the consolidation.

**2. GOING CONCERN**

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has incurred a net loss of \$234,444 for the six months ended February 28, 2023 and has a working capital deficit of \$337,037 and an accumulated deficit of \$25,337,510 at February 28, 2023. The Company’s ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to fund its existing acquisition and exploration commitments on its exploration and evaluation assets when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation assets or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

In March 2020, there was a global outbreak of coronavirus (COVID-19). The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and, specifically, the regional economies in which the Company operates. The pandemic could continue to have a negative impact on the stock market, including trading prices of the Company’s shares and its ability to raise new capital. These factors, among others, could have a significant impact on the Company’s operations.

The Company’s business financial condition and results of operations may be further negatively affected by economic and other consequences from Russia’s military action against Ukraine and the sanctions imposed in response to that action in late February 2022. In response to the military action by Russia, various countries, including Canada, issued broad-ranging economic sanctions against Russia. The ramifications of the hostilities and sanctions may not be limited to Russia and Ukraine and may spill over to and negatively impact other regional and global economic markets and on various sectors, industries, and markets for securities and commodities globally. While the Company expects any direct impacts to the business to be limited, the indirect impacts on the economy and on the mining industry and other industries in general could impact the Company’s cash flows and liquidity.

These condensed consolidated interim financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying condensed consolidated interim financial statements.

**HUNTSMAN EXPLORATION INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Six Months Ended February 28, 2023 and 2022**  
**(Unaudited – Expressed in Canadian Dollars)**

**3. BASIS OF PREPARATION**

a) Statement of compliance

The condensed consolidated interim financial statements of the Company have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*.

The condensed consolidated interim financial statements of the Company should be read in conjunction with the Company’s 2022 annual consolidated financial statements that have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board.

These condensed consolidated interim financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 20, 2023.

b) Measurement basis

These condensed consolidated interim financial statements have been prepared under the historical cost basis, except for certain financial instruments that have been measured at fair value. These condensed consolidated interim financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

c) Basis of presentation

These condensed consolidated interim financial statements include all subsidiaries in the accounts of the Company for the periods presented. Intercompany balances and transactions are eliminated in preparation of the Company’s condensed consolidated interim financial statements. These subsidiaries are listed as follows:

<b>Subsidiary</b>	<b>Ownership February 28, 2023</b>	<b>Ownership August 31, 2022</b>	<b>Incorporated</b>	<b>Nature</b>
BlueBird Battery Metals Australia Pty. Ltd.	100%	100%	Australia	Mineral exploration
Huntsman Exploration USA Inc.	100%	100%	USA	Mineral exploration
PieCo Metals Pty. Ltd. ("PieCo")	100%	100%	Australia	Mineral exploration

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

d) Foreign currency translation

The functional currency of the Company is the Canadian dollar. The functional currency of the Company’s Australian subsidiaries is the Australian dollar (or “AUD”) and the functional currency of the Company’s USA subsidiary is the US dollar, which have been determined to be the currencies of the primary economic environment in which the subsidiaries operate.

Transactions in currencies other than the functional currency are recorded at the exchange rates prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the reporting date. Non-monetary items are measured at historical cost in a functional currency and are not retranslated.



#### **4. SIGNIFICANT ACCOUNTING POLICY**

Accounting standard issued but not yet effective

##### *IAS 1 Presentation of Financial Statements*

IAS 1 has been amended to clarify classification of liabilities as current or non-current. The amendments are effective for years beginning on or after January 1, 2023. The amendment is expected to have no impact on the Company's consolidated financial statements.

#### **5. ACCOUNTING ESTIMATES AND JUDGMENTS**

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 year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

##### *Judgments in applying accounting policies*

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed consolidated interim financial statements within the next financial year are discussed below.

##### a) Impairment of exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation expenditures and impairment of the capitalized expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the year the new information becomes available.

##### b) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability, including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

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**HUNTSMAN EXPLORATION INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Six Months Ended February 28, 2023 and 2022**  
**(Unaudited – Expressed in Canadian Dollars)**

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**5. ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)**

*Judgments in applying accounting policies (continued)*

b) Income taxes (continued)

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity that are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

c) Business combinations

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. In determining the allocation of the purchase price in a business combination, including any acquisition related contingent consideration, estimates, including market based and appraisal values, are used. The contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

d) Going concern risk assessment

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to fund its existing acquisition and exploration commitments on its exploration and evaluation assets when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation assets or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These condensed consolidated interim financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying condensed consolidated interim financial statements.

e) Share-based payments

The Company's determination that the fair value of exploration and evaluation assets acquired with share-based consideration cannot be estimated reliably.

*Areas of estimation uncertainty*

The following are key assumptions concerning the future and other sources of estimation uncertainty that have a significant risk of resulting in material adjustments to the condensed consolidated interim financial statements.

**5. ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)**

*Areas of estimation uncertainty (continued)*

a) Decommissioning liabilities

Rehabilitation provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made that management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account 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 of contamination, restoration standards and techniques will result in changes to provisions from year to year. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs that will reflect the market condition at the time the rehabilitation costs are actually incurred.

The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for. As at February 28, 2023, the Company has no known rehabilitation requirements, and accordingly, no provision has been made.

b) Fair value of stock options granted

The Company uses the Black-Scholes option pricing model to value the stock options granted during the period. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The model requires management to make estimates that are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

**HUNTSMAN EXPLORATION INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Six Months Ended February 28, 2023 and 2022**  
**(Unaudited – Expressed in Canadian Dollars)**

**6. EXPLORATION AND EVALUATION ASSETS**

Total costs incurred on exploration and evaluation assets are summarized as follows:

	<b>Baxter Spring</b>	<b>Flint Property</b>	<b>Canegrass Property</b>	<b>Julimar Property</b>	<b>Total</b>
<b>Acquisition Costs</b>					
<b>Balance, August 31, 2021</b>	\$ 4,202,263	\$ 2,373,923	\$ 1,680,082	\$ -	\$ 8,256,268
Acquisition and option payments	318,000	-	-	2,164,106	2,482,106
Claim costs (recovery)	34,922	(1,652)	219,233	43,028	295,531
Sale of exploration and evaluation assets	-	(2,374,750)	-	-	(2,374,750)
Impairment	(4,558,293)	-	-	-	(4,558,293)
Currency translation difference	3,108	2,479	(3,386)	(34,089)	(31,888)
<b>Balance, August 31, 2022</b>	-	-	<b>1,895,929</b>	<b>2,173,045</b>	<b>4,068,974</b>
Claim costs	-	-	6,375	45,177	51,552
Currency translation difference	-	-	4,690	46,477	51,167
<b>Balance, February 28, 2023</b>	\$ -	\$ -	\$ 1,906,994	\$ 2,264,699	\$ 4,171,693
<b>Deferred Exploration Expenditures</b>					
<b>Balance, August 31, 2021</b>	\$ 20,664	\$ 44,588	\$ 1,863,809	\$ -	\$ 1,929,061
Drilling	-	-	694,447	-	694,447
Geological	2,854	2,047	357,470	-	362,371
Geophysical	-	-	31,201	-	31,201
Sale of exploration and evaluation assets	-	(46,989)	-	-	(46,989)
Impairment	(23,611)	-	-	-	(23,611)
Currency translation difference	93	354	(62,494)	-	(62,047)
<b>Balance, August 31, 2022</b>	-	-	<b>2,884,433</b>	-	<b>2,884,433</b>
Drilling	-	-	10,067	-	10,067
Geological	-	-	11,539	-	11,539
Currency translation difference	-	-	58,065	-	58,065
<b>Balance, February 28, 2023</b>	\$ -	\$ -	\$ 2,964,104	\$ -	\$ 2,964,104
<b>Total Exploration and Evaluation Assets</b>					
<b>Balance, August 31, 2022</b>	\$ -	\$ -	\$ 4,780,362	\$ 2,173,045	\$ 6,953,407
<b>Balance, February 28, 2023</b>	\$ -	\$ -	\$ 4,871,098	\$ 2,264,699	\$ 7,135,797

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**HUNTSMAN EXPLORATION INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Six Months Ended February 28, 2023 and 2022**  
**(Unaudited – Expressed in Canadian Dollars)**

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**6. EXPLORATION AND EVALUATION ASSETS (Continued)**

a) Baxter Spring Property

On August 26, 2020, and as amended September 22, 2021, the Company entered into an option agreement to acquire a 100% interest in the Baxter Spring Property, located in Nevada, from Liberty Gold Corp. (“Liberty”) and Liberty’s wholly owned subsidiary, Pilot Gold (USA) Inc.

In consideration, the Company must make payments as follows:

- Cash payment of US\$250,000 (paid);
- An additional cash payment of US\$250,000 (paid) on or before May 31, 2022; and
- Issuance of common shares of the Company equal to 19.5% of the outstanding shares (issued 1,498,689 shares valued at \$3,821,657).

The property is subject to a 2% net smelter return royalty (“NSR”) and Liberty retains a back-in right to acquire a 35% interest in the property within three years upon payment of the sum of US\$1,000,000 to the Company.

The Company recorded impairment charges in the amount of \$4,581,904 to fully impair during the year ended August 31, 2022, as substantive expenditure for the exploration and evaluation asset is neither budgeted nor planned. The Company retains ownership of the Baxter Spring Property.

b) Flint Property

On December 3, 2020, the Company entered into an agreement to acquire a 100% interest in certain claims comprising the Flint Property. In consideration, the Company paid US\$100,000 in cash and issued 845,000 common shares of the Company valued at \$2,070,250.

The Company satisfied the terms of the option agreement by staking 174 claims within the area of interest of the agreement at a cost of \$127,900. The vendors retain a 2% NSR on the Flint Property, including claims staked by the Company.

On August 8, 2022, the Company sold its 100% interest in the Flint Property in exchange for total consideration of US\$130. As a result, the Company recorded a loss of \$2,421,574 on the disposal of the Flint Property.

c) Canegrass Property

On March 15, 2018, the Company entered into an option agreement with Trafalgar Resources Pty. Ltd. (“Trafalgar”) to acquire a 100% interest in the Canegrass Property, located in the Mount Magnet region of Western Australia.

In consideration, the Company must make payments as follows:

- Cash payment of \$25,000 (paid) and issuance of 150,000 common shares of the Company (issued and valued at \$870,000) upon approval by the TSX-V (approval received on March 21, 2018);
- Issuance of an additional 93,750 common shares of the Company on or before March 21, 2019 (issued and valued at \$553,125); and
- Issuance of an additional 93,750 common shares of the Company on or before March 21, 2020 (issued and valued at \$131,250).

The Company must also incur exploration expenditures as follows:

- \$500,000 on or before March 21, 2019 (incurred);
- An additional \$500,000 on or before March 21, 2020 (incurred); and
- An additional \$500,000 on or before March 21, 2021 (incurred).

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**HUNTSMAN EXPLORATION INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the Six Months Ended February 28, 2023 and 2022**  
**(Unaudited – Expressed in Canadian Dollars)**

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**6. EXPLORATION AND EVALUATION ASSETS (Continued)**

c) Canegrass Property (continued)

A finder's fee of 13,053 common shares (issued and valued at \$75,707) was paid in relation to the Canegrass Property. Subject to further TSX-V approval, a discovery bonus of 75,000 common shares of the Company will be issued in the event of discovery of a copper/cobalt equivalent resource of 250,000 ounces or greater on the Canegrass Property. During the year ended August 31, 2021, the Company fulfilled its purchase obligations on the property to earn a 100% interest in the Canegrass Property.

The Company also paid a \$25,000 letter of intent fee to Trafalgar during the year ended August 31, 2018.

d) Julimar Property

On April 26, 2022, the Company closed its acquisition of all of the issued and outstanding shares of PieCo, a private company with a portfolio of projects within the Julimar province of Western Australia.

The Company incurred a non-refundable option fee of AUD\$30,000 to the vendors for the option (included in exploration and evaluation assets). Total consideration includes 3,900,000 common shares to be issued to the shareholders of PieCo as follows:

- 1,300,000 common shares on closing of the acquisition (issued and valued at \$715,000);
- 1,300,000 common shares within six months of closing of the acquisition (issued and valued at \$715,000); and
- 1,300,000 common shares within one year of closing of the acquisition (issued and valued at \$715,000).

The agreement provides that the second or third share issuances will be deferred in the event that the issuance would result in any of PieCo's shareholders becoming insiders pursuant to Canadian securities laws to such later time or times that the issuance will not result in the creation of an insider.

The vendors retain a 1.5% NSR on the projects held by PieCo.

The acquisition of PieCo has been accounted for as an acquisition of assets and liabilities, as PieCo does not meet the definition of a business under IFRS 3 *Business Combinations*. The acquisition of the net assets of PieCo was recorded at the fair value of the consideration transferred of \$2,145,000 and the value of the option fee of AUD\$30,000 of which \$2,144,911 was allocated to the mineral property as detailed above. The net assets acquired consisted substantially of exploration and evaluation assets.

**7. MARKETABLE SECURITIES**

During the six months ended February 28, 2023, the Company received 200,000 shares of Lion Rock Resources Inc. ("Lion Rock") from the previous sale of the Maybrun property. The Company recorded a recovery of general exploration of \$25,000. At February 28, 2023, the market value of the Lion Rock shares is \$25,000. There was no gain or loss on marketable securities during the six months ended February 28, 2023.

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**8. RELATED PARTY BALANCES AND TRANSACTIONS**

These amounts of key management compensation are included in the amounts shown on the condensed consolidated interim statements of loss and comprehensive loss for the six months ended February 28, 2023 and 2022:

	<b>February 28, 2023</b>	<b>February 28, 2022</b>
Consulting fees	\$ -	\$ 16,497
General exploration	-	18,000
Management fees	63,116	98,738
Share-based payments	-	254,222
<b>Total</b>	<b>\$ 63,116</b>	<b>\$ 387,457</b>

Key management includes directors and officers of the Company, including the Chief Executive Officer, President and Chief Financial Officer.

During the six months ended February 28, 2023, the Company also paid or accrued:

- \$30,000 (2022 - \$30,000) in rent to a company with a common officer; and
- \$283 (2022 - \$nil) in exploration and evaluation asset expenditures to a private company for a director's services.

As at February 28, 2023, included in accounts payable and accrued liabilities is \$145,277 (August 31, 2022 - \$78,338) due to companies controlled by directors for outstanding consulting fees. The amounts are unsecured, non-interest-bearing and due on demand.

**9. SHARE CAPITAL**

a) Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

b) Issued and outstanding

During the six months ended February 28, 2023

- On October 21, 2022, the Company issued 1,300,000 common shares measured at \$715,000 for the acquisition of PieCo and the Julimar Property (Note 6(d)).

During the year ended August 31, 2022

- On November 26, 2021, the Company completed a placement for gross proceeds of \$2,171,927. The Company issued 3,102,753 common shares of the Company at a price of \$0.70 per share. The Company paid finder's fees of \$114,092 and other share issuance costs of \$11,609.
- On April 27, 2022, the Company issued 1,300,000 common shares measured at \$715,000 for the acquisition of PieCo and the Julimar Property (Note 6(d)).
- On May 25, 2022, the Company issued 1,300,000 common shares measured at \$715,000 for the acquisition of PieCo and the Julimar Property (Note 6(d)).

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**9. SHARE CAPITAL** (Continued)

c) Warrants

Warrant transactions and the number of warrants outstanding for the six months ended February 28, 2023 and year ended August 31, 2022 are summarized as follows:

	February 28, 2023		August 31, 2022	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	3,117,845	\$ 3.50	3,146,886	\$ 3.50
Expired	-	-	(29,041)	\$ 1.40
Outstanding, end of period	3,117,845	\$ 3.50	3,117,845	\$ 3.50

The following warrants were outstanding and exercisable at February 28, 2023:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Warrants
October 19, 2023	0.64	\$ 3.50	2,927,845
November 27, 2023	0.75	\$ 3.50	190,000
	0.64		3,117,845

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its finders' warrants granted. During the six months ended February 28, 2023 and year ended August 31, 2022, the Company did not grant any finders' warrants.

d) Stock options

The Company adopted a stock option plan (the "Plan") to grant incentive stock options to directors, officers, employees and consultants. Under the Plan, the aggregate number of common shares that may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date, including options granted prior to the adoption of the Plan. Options granted may not exceed a term of 10 years, and the term will be reduced to one year following the date of death of the optionee. All options vest when granted unless they are otherwise specified by the Board of Directors or if they are granted for investor relations activities. Options granted for investor relations activities vest over a twelve-month period with no more than 25% of the options vesting in any three-month period.

During the six months ended February 28, 2023, the Company did not recognize any share-based compensation expense (year ended August 31, 2022 - \$270,111), as no options were granted during the period (year ended August 31, 2022 - 680,000).



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**9. SHARE CAPITAL** (Continued)

d) Stock options (continued)

The following is a summary of option transactions under the Company's Plan for the six months ended February 28, 2023 and year ended August 31, 2022:

	February 28, 2023		August 31, 2022	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	1,029,900	\$ 1.30	600,400	\$ 2.80
Expired	(30,000)	\$ 2.80	(250,500)	\$ 3.30
Granted	-	-	680,000	\$ 0.70
Outstanding, end of period	999,900	\$ 1.24	1,029,900	\$ 1.30

The following options were outstanding and exercisable at February 28, 2023:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Outstanding	Exercisable
March 25, 2023*	0.07	\$ 2.00	67,400	67,400
January 8, 2024	0.86	\$ 2.50	225,000	225,000
February 26, 2024	0.99	\$ 2.50	27,500	27,500
December 3, 2024	1.76	\$ 0.70	680,000	680,000
	1.43		999,900	999,900

\* see Note 14

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. The fair value of each stock option grant was calculated using the following weighted average assumptions:

	February 28, 2023	August 31, 2022
Expected life (years)	N/A	3.00
Risk-free interest rate	N/A	1.09%
Expected annualized volatility	N/A	115%
Dividend yield	N/A	N/A
Stock price at grant date	N/A	\$ 0.60
Exercise price	N/A	\$ 0.70
Weighted average grant date fair value	N/A	\$ 0.40

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

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**10. FINANCIAL INSTRUMENTS**

The Company's financial instruments include cash, term deposit, marketable securities and accounts payable. Cash, term deposit and marketable securities are classified as fair value through profit or loss. Accounts payable is classified as measured at amortized cost. The carrying values of these instruments approximate their fair values due to the relatively short periods to maturity.

The following table sets forth the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy as follows:

<b>February 28, 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash	\$ 84,750	\$ -	\$ -	\$ 84,750
Term deposit	18,346	-	-	18,346
Marketable securities	25,000	-	-	25,000
	\$ 128,096	\$ -	\$ -	\$ 128,096

  

<b>August 31, 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash	\$ 191,069	\$ -	\$ -	\$ 191,069
Term deposit	\$ 17,976	-	-	17,976
	\$ 209,045	\$ -	\$ -	\$ 209,045

*Financial risk management objectives and policies*

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The financial instrument that potentially subjects the Company to concentrations of credit risk consists principally of cash. To minimize the credit risk on cash, the Company places the instrument with a major Canadian financial institution. The maximum amount of credit risk is equal to the carrying value of cash.

b) Liquidity risk

The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations. As at February 28, 2023, the Company had contractual obligations consisting of accounts payable and accrued liabilities of \$473,502, due within the next 12 months. All of the liabilities presented as accounts payable are due within 30 days of the reporting date.

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**10. FINANCIAL INSTRUMENTS (Continued)**

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital.

- i) *Currency risk* – Currency risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company has operations in Canada, the USA and Australia, and incurs operating and exploration expenditures in all currencies. The fluctuation of the Canadian dollar in relation to the Australian dollar will have an impact upon the results of the Company. A fluctuation in the exchange rate between the Canadian and Australian dollars of 10% would result in a change to the Company's cash of \$7,000 and accounts payable and accrued liabilities of \$7,500. The fluctuation of the Canadian dollar in relation to the US dollar would not have any significant impact upon the results of the Company. The Company does not use any techniques to mitigate currency risk.
- ii) *Interest rate risk* – The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant, as the deposits are short-term. The Company has not entered into any derivative instruments to manage interest rate fluctuations. The Company has no interest-bearing financial liabilities.
- iii) *Other price risk* – Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company does not have significant exposure to this risk.

**11. MANAGEMENT OF CAPITAL**

The Company considers its capital to be comprised of equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the six months ended February 28, 2023. The Company is not subject to externally imposed capital requirements.

**12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

	February 28, 2023	February 28, 2022
<b>Non-cash Transactions and Supplemental Disclosures</b>		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

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**13. SEGMENTED INFORMATION**

Geographical information related to the Company's non-current assets is as follows:

	<b>February 28, 2023</b>	<b>August 31, 2022</b>
Exploration and evaluation assets – Australia	\$ 7,135,797	\$ 6,953,407

**14. SUBSEQUENT EVENT**

Subsequent to February 28, 2023, 67,400 stock options expired unexercised.