# STRATEGIC RESOURCES INC.

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH AND NINE MONTH PERIODS ENDED MARCH 31, 2023 AND 2022**

**TSX-V: SR**

**www.strategic-res.com**

## Notice to Reader

The accompanying unaudited condensed interim consolidated 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 unaudited condensed interim consolidated financial statements.

**Strategic Resources Inc.**
**Condensed Interim Consolidated Statements of Financial Position**
**As at March 31, 2023 and June 30, 2022**
**Unaudited**
*(expressed in thousands of Canadian dollars)*

| | Notes | March 31, 2023 | June 30, 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current** | | | |
| Cash | | **12,845** | 2,107 |
| Restricted investments | *8* | **10,647** | 10,647 |
| Receivables | *7* | **505** | 335 |
| Prepaid expenses and advances | | **367** | 341 |
| | | **24,364** | 13,430 |
| **Non-current** | | | |
| Environmental deposits | | **40** | - |
| Restricted investments | *8* | **1,289** | 1,289 |
| Exploration and evaluation assets | *9* | **4,111** | - |
| Property, plant, and equipment | *10* | **149,730** | 148,837 |
| | | **155,170** | 150,126 |
| | | **179,534** | 163,556 |
| **LIABILITIES** | | | |
| **Current** | | | |
| Payables and accrued liabilities | *11* | **11,210** | 11,380 |
| Lease obligations | *13* | **627** | 370 |
| Restricted share unit liability | *14* | **2,477** | - |
| | | **14,314** | 11,750 |
| **Non-current** | | | |
| Long-term debt with shareholders | *12* | **-** | 1,711 |
| Lease obligations | *13* | **16,270** | 15,275 |
| Restricted share unit liability | *14* | **1,238** | - |
| Deferred mining taxes | | **5,560** | 5,560 |
| Asset retirement obligations | | **1,065** | 1,040 |
| | | **24,133** | 23,586 |
| | | **38,447** | 35,336 |
| **EQUITY** | | | |
| Share capital | *14* | **230,950** | 187,045 |
| Contributed surplus | | **18,126** | 17,319 |
| Deficit | | **(107,989)** | (76,144) |
| | | **141,087** | 128,220 |
| | | **179,534** | 163,556 |

**Nature of operations** *(Note 1)*
**Going concern** *(Note 2)*
**Commitments** (*Note 17*)

ON BEHALF OF THE BOARD:

"Sean Cleary", Chairman and Chief Executive Officer

"Amyot Choquette", Director

– See accompanying notes –

**Strategic Resources Inc.**

**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

For the three-month and nine-month periods ended March 31, 2023 and 2022

Unaudited

*(expressed in thousands of Canadian dollars, except for loss per share and weighted average number of shares outstanding)*

| | Notes | For the three-month periods ended March 31 | | For the nine-month periods ended March 31 | |
|---|---|---|---|---|---|
| | | **2023** | 2022 | **2023** | 2022 |
| **Expenses** | | | | | |
| General and administrative | | **74** | 158 | **537** | 478 |
| Salaries, benefits, and directors' fees | | **223** | 603 | **563** | 1,749 |
| Professional fees | | **488** | 215 | **971** | 977 |
| Restructuring fees | | – | 568 | **45** | 1,643 |
| Depreciation and amortization | | – | 1 | **1** | 7 |
| Share-based compensation | *14c* | **973** | 21 | **2,918** | 115 |
| **Loss before other income (expenses)** | | **(1,758)** | (1,566) | **(5,035)** | (4,969) |
| **Other income (expenses)** | | | | | |
| Finance expenses, net | *16* | **(243)** | (4,114) | **(759)** | (16,102) |
| Foreign exchange gain (loss) | | **1** | 747 | **(1)** | (420) |
| Change in fair value of derivative financial instruments and warrants | | – | – | – | 17,318 |
| Change in fair value of restricted share unit liability | *14c* | **(204)** | – | **(798)** | – |
| Stakeholder support | *14a* | – | – | **(4,603)** | – |
| Reverse acquisition of Strategic | *6* | **(20,627)** | – | **(20,627)** | – |
| Gain (loss) on disposal of property, plant and equipment | | **(1)** | – | **(2)** | 4 |
| | | **(21,074)** | (3,367) | **(26,790)** | 800 |
| **Loss before taxes** | | **(22,832)** | (4,933) | **(31,825)** | (4,169) |
| Income and mining taxes (provision) recovery | | **(20)** | – | **(20)** | 41 |
| **Loss and comprehensive loss for the period** | | **(22,852)** | (4,933) | **(31,845)** | (4,128) |
| Basic and diluted loss per share | | **(0.50)** | (75.25) | **(0.71)** | (62.97) |
| Weighted average number of common shares outstanding | | **45,724,421** | 65,557 | **44,684,839** | 65,557 |

**Strategic Resources Inc.**

**Condensed Interim Consolidated Statements of Changes in Equity (Deficiency)**

For the nine-month periods ended March 31, 2023 and 2022

Unaudited

*(expressed in thousands of Canadian dollars, except for number of shares)*

| | Share capital | | | | | | |
|---|---|---|---|---|---|---|---|
| | Number of shares | Amount | Share options | Contributed surplus | Restricted and deferred share units | Deficit | Total |
| Balance at June 30, 2021 | 65,557* | 83,458 | 9,184 | 4,278 | 3,736 | (116,524) | (15,868) |
| Net loss and comprehensive loss for the period | – | – | – | – | – | (4,128) | (4,128) |
| Options expired and cancelled | – | – | (690) | 826 | (136) | – | – |
| Share-based compensation | – | – | 115 | – | – | – | 115 |
| **Balance at March 31, 2022** | **65,557** | **83,458** | **8,609** | **5,104** | **3,600** | **(120,652)** | **(19,881)** |
| Balance at June 30, 2022 | 44,042,913* | 187,045 | – | 17,319 | – | (76,144) | 128,220 |
| Net loss and comprehensive loss for the period | – | – | – | – | – | (31,845) | (31,845) |
| Shares issued for stakeholder support | 1,534,494* | 4,603 | – | – | – | – | 4,603 |
| Conversion of long-term debt with shareholders (note 12) | 1,089,259* | 3,349 | – | – | – | – | 3,349 |
| Private placement – subscription receipts | 4,500,000 | 13,500 | – | – | – | – | 13,500 |
| Private placement – convertible debentures | 169,772 | 509 | – | – | – | – | 509 |
| Share issue costs | – | (473) | – | – | – | – | (473) |
| Effect of reverse acquisition | 7,472,160 | 22,417 | – | 807 | – | – | 23,224 |
| **Balance at March 31, 2023** | **58,808,598** | **230,950** | **-** | **18,126** | **–** | **(107,989)** | **141,087** |

* In relation to the reverse takeover transaction, as described in Note 1, on March 31, 2023, the common shares of BlackRock Metals Inc. were exchanged on a 1:0.0026 basis (the "Share Exchange") and they were consolidated on a 6:1 basis (the "Share Consolidation"). The Share Exchange and the Share Consolidation are reflected retrospectively in these consolidated financial statements

**Strategic Resources Inc.**
**Condensed Interim Consolidated Statements of Cash Flows**
For the nine-month periods ended March 31, 2023 and 2022
Unaudited
*(expressed in thousands of Canadian dollars)*

| | | For the nine-month periods ended | |
|---|---|---|---|
| **Cash flow provided by (used in)** | **Notes** | **March 31, 2023** | March 31, 2022 |
| **Operating activities** | | | |
| Net loss for the period | | **(31,845)** | (4,128) |
| Items not affecting cash | | | |
| Depreciation and amortization | | **1** | 7 |
| Change in fair value of derivative financial instruments and warrants | | **-** | (17,318) |
| Change in fair value of restricted share unit liability | | **798** | - |
| Loss (gain) on disposal of property, plant and equipment | | **2** | (4) |
| Foreign exchange loss | | **-** | 417 |
| Interest expense | *16* | **930** | 16,056 |
| Finance income | *16* | **(317)** | (68) |
| Share-based compensation | | **2,918** | 115 |
| Stakeholder support | *14a* | **4,603** | - |
| Reverse acquisition of Strategic | *6* | **20,627** | - |
| Changes in non-cash working capital | | | |
| Decrease (increase) in receivables | | **50** | (243) |
| Increase in prepaid expenses and advances | | **(20)** | (48) |
| Decrease in payables and accrued liabilities | | **(1,772)** | (790) |
| **Cash used in operating activities** | | **(4,025)** | (6,004) |
| Interest received | | **139** | 75 |
| **Net cash used in operating activities** | | **(3,886)** | (5,929) |
| **Investing activities** | | | |
| Acquisition of property, plant, and equipment | *9* | **(311)** | (628) |
| Proceeds from sale of property, plant, and equipment | | **-** | 4 |
| **Net cash used in investing activities** | | **(311)** | (624) |
| **Financing activities** | | | |
| Proceeds from issuance of receipts and convertible debentures from private placement | *14* | **14,009** | - |
| Share issue costs on private placement | *14* | **(473)** | - |
| Proceeds from issuance of long-term debt with shareholders | | **1,500** | - |
| Repayment of lease obligations | *13* | **(101)** | (97) |
| **Net cash provided by (used in) financing activities** | | **14,935** | (97) |
| **Net increase (decrease) in cash** | | **10,738** | (6,650) |
| Cash – beginning of period | | **2,107** | 7,230 |
| **Cash – end of period** | | **12,845** | 580 |

– See accompanying notes –

## 1. Nature of operations

Strategic Resources Inc. ("Strategic" or the "Company") is a publicly listed company incorporated under the Ontario Business Corporations Act on October 25, 2004 and continued under the British Columbia Business Corporations Act on June 7, 2016. The Company is listed on the TSX-Venture Exchange ("TSXV"), having the symbol SR.V. Strategic.

On March 31, 2023, the Company completed a reverse takeover transaction (the "RTO"), pursuant to a Share Exchange Agreement dated December 13, 2022 between Strategic and BlackRock Metals Inc. ("BlackRock"). Pursuant to the RTO, Strategic acquired all of the outstanding shares in BlackRock in exchange for 280,000,000 pre-consolidation shares of Strategic. Upon completion of the RTO, the shareholders of BlackRock controlled Strategic and accordingly, the transaction is accounted for as a reverse acquisition of Strategic by BlackRock and BlackRock is identified as the accounting acquirer. The historical operations, assets and liabilities of BlackRock are included as the comparative figures as at and for the period ended March 31, 2023, which is deemed to be the continuing entity for financial reporting purposes.

Concurrently with the RTO, Strategic raised $14.0 million through a private placement of $13.5 million of subscription receipts ("Receipts") and $0.5 million of convertible debentures ("Debentures") (collectively the "Offering"). The Receipts were issued at a pre-consolidation price of $0.50 each, entitling the holder to receive, without payment of additional consideration or further action, upon closing of the RTO, one common share of Strategic. Upon closing of the RTO, the convertible notes automatically converted to common shares of Strategic at a pre-consolidation price of $0.50 per share.

Concurrent with closing of the RTO, Strategic consolidated its outstanding shares at a ratio of six pre-consolidation shares to one post-consolidation share (the "Share Consolidation"), resulting in 58,808,598 Strategic common shares after the RTO. Collectively, the RTO, the Offering and the Share Consolidation are referred to as the "Transaction".

Strategic is now a high purity metallic iron and critical minerals company with assets in two world class mining jurisdictions. The Company is in the development stage of its mining property located in Chibougamau, Québec and its metallurgical plant located in Saguenay, Québec. The Company also holds two vanadium projects in Finland. The Company is focused on providing the highest purity metallic iron on the market to be utilized in the decarbonizing efforts of the foundry and steel producers in North America and Europe. The Company's headquarters are located at 1155 Metcalfe Street, Suite 1539, Montréal, Québec, Canada and its activities are conducted in Canada and Finland.

## 2. Going concern

The accompanying condensed interim consolidated financial statements have been prepared using accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to 12 months from the end of the reporting period.

The Company does not derive any revenue from the development of its mining property. The development of mineral deposits involves significant financial risks. The success of the Company will depend on a number of factors including development, construction, and extraction risks and regulatory issues, environmental and other regulations.

## 2. Going concern (continued)

The Company's ability to continue as a going concern is dependent upon the confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

As at March 31, 2023, the Company had a working capital of $10 million, shareholders' equity of $141 million and had incurred a net loss of $31.8 million for the nine-month period then ended. Management estimates that the current funds will not be sufficient to complete the development of its project. There is also the risk that Hydro-Québec may draw on the funds pledged for letters of credit if the Company is not able to complete the development of its project (Note 17).

The Company's business plan is dependent on raising additional funds to finance operations within and beyond the next 12 months. While management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company. If management is unable to obtain new funding, the Company may be unable to continue its operations, project development, and amounts realized for assets might be less than amounts reflected in these condensed interim consolidated financial statements.

To date, the Company has been able to finance its operations through proceeds from the issuance of long-term debt and equity financing.

The conditions and uncertainties described above indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These condensed interim consolidated financial statements do not reflect the adjustment to the carrying values of assets and liabilities, expenses and asset and liability classifications that would be necessary were the going concern assumption not appropriate. These adjustments could be material.

## 3. Summary of significant accounting policies

### a) Basis of preparation

The Company prepares its condensed Interim consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB").

These condensed interim consolidated financial statements should be read in conjunction with BlackRock's audited financial statements for the year ended June 30, 2022, prepared in accordance with International Financial Reporting Standards ("IFRS"). The accounting policies adopted in these condensed interim consolidated financial statements are consistent with those disclosed in BlackRock's audited financial statements for the year ended June 30, 2022, except as described below and notes 3(d) and 3(e).

On April 10, 2023, the Company announced a change in year end from December 31 to June 30 which corresponds with BlackRock's year end prior to the RTO.

## 3. Summary of significant accounting policies (continued)

### a) Basis of preparation (continued)

For accounting purposes, it has been determined that Strategic was the accounting acquiree and BlackRock was the accounting acquirer as the shareholders of the former BlackRock now control the Company, based upon the guidance in IFRS 10, Consolidated Financial Statements, and IFRS 3, Business Combinations, to identify the accounting acquirer. Since BlackRock is considered the accounting acquirer, these consolidated financial statements are prepared as a continuation of the financial statements of BlackRock. For simplicity, transactions undertaken by BlackRock before the RTO are referred to as being undertaken by the Company in these condensed interim consolidated financial statements.

The Board of Directors approved these condensed interim consolidated financial statements and authorized their publication on May 23, 2023.

### b) Basis of consolidation

**Subsidiaries**

Subsidiaries are entities controlled by the Company. Control exists when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. The Company reassesses control on an ongoing basis. The financial statements of subsidiaries are included in the condensed interim consolidated financial statements from the date that control commences until the date that control ceases. These condensed interim consolidated financial statements include the accounts of the Company and of its wholly-owned subsidiaries (the "Group") as follows:

| Subsidiary | Domicile and country of incorporation |
|---|---|
| BlackRock Metals Inc. | Canada |
| BlackRock Mining Inc. | Canada |
| BRM Metals GP Inc. | Canada |
| BlackRock Metals L.P. | Canada |
| Strategic Resources (Finland) Inc. | Canada |
| Strategic Resources (Peru) Inc. | Canada |
| Strategic Explorations Oy | Finland |

**Transactions eliminated between the Company and its subsidiaries**

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, have been eliminated in preparing these condensed interim consolidated financial statements.

### c) Basis of measurement

The condensed interim consolidated financial statements have been prepared on the historical cost basis, except for:

- liabilities for cash-settled share-based payment arrangements which are measured at fair value, and equity-classified share-based payment arrangements which are measured at fair value at grant date pursuant to IFRS 2, Share-based Payment;

## 3. Summary of significant accounting policies (continued)

### c) Basis of measurement (continued)

- lease liabilities, which are initially measured at the present value of lease payments not paid at the commencement date in accordance with IFRS 16, Leases; and
- Asset retirement obligations which are measured at the present value of the expected expenditures to settle the obligation.

### d) Presentation currency and foreign currencies translation

Management determined that the functional currency for all companies is the Canadian dollar except for the functional currency for its Finnish subsidiary which is the Euro. The Company's condensed interim consolidated financial statements are presented in Canadian dollars. Functional currencies of the Company's individual entities represent the currency of the primary economic environment in which the entity operates.

Transactions in foreign currencies are translated to the functional currency of each individual entity at exchange rates at the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

In preparing the Company's condensed interim consolidated financial statements, the financial statements of each entity are translated into Canadian dollars. The assets and liabilities of foreign operations are translated into Canadian dollars at exchange rates at the statement of financial position date. Revenues and expenses of foreign operations are translated into Canadian dollars using foreign exchange rates that approximate those on the date of the underlying transaction. Foreign exchange differences are recognized in other comprehensive loss.

If the Company or any of its investments dispose of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the accumulated foreign currency translation gains or losses related to the foreign operation are recognized in net loss.

### e) Exploration and evaluation expenditures

Exploration and evaluation activities prior to acquiring an interest in a mineral concession area, including costs associated with applying for new mineral concession, are charged to operations as pre exploration and evaluation expenditures. Subsequent to acquisition of the interest in a mineral property, exploration costs, net of incidental revenues, are charged to operations in the year incurred until such time as it has been determined that a property has economically recoverable resources, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment.

## 4. New accounting policies

**Adoption of new accounting standard by the Company:**

**IAS 16, *Property, Plant and Equipment—Proceeds before Intended Use***

In May 2020, the International Accounting Standards Board (Board) issued *Property, Plant and Equipment—Proceeds before Intended Use*, which made amendments to IAS 16 *Property, Plant and Equipment*. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The Company adopted these new amendments on July 1, 2022 and they did not have any impact on its condensed interim consolidated financial statements and related disclosures.

**New accounting standard not yet adopted by the Company:**

The following new standard and interpretation is not yet effective and has not been applied in preparing these condensed interim consolidated financial statements.

**Amendments to IAS 1, *Classification of Liabilities as Current or Non-current***

On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements (the 2020 amendments), to clarify the classification of liabilities as current or non-current.

The 2020 amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted.

The 2020 amendments are subject to future developments. Certain application issues resulting from the 2020 amendments have been raised with the IFRS Interpretations Committee, which referred them to the IASB. In November 2021, the IASB published the exposure draft Non-current Liabilities with Covenants (proposed amendments to IAS 1). The exposure draft aims to improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with conditions, in addition to addressing concerns about the classification of such a liability as current or non-current. The IASB proposed to defer the effective date of the 2020 amendments to no earlier than January 1, 2024. The Company is currently evaluating the impact of these amendments on its condensed interim consolidated financial statements and will apply the amendments from the effective date.

## 5. Use of critical accounting estimates and judgments

### a) Use of judgments

The preparation of the condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

## 5. Use of critical accounting estimates and judgments (continued)

### a) Use of judgments (continued)

Information about additional critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements includes:

As described in note 6, significant judgment was required in order to determine the fair value of the consideration transferred by BlackRock to acquire the net assets of Strategic. In addition, the determination of the fair value of the exploration and evaluation assets acquired is in progress and has not yet been finalized. The final accounting is dependent upon certain valuation and other studies that have not yet been completed. Accordingly, the carrying amount of the exploration and evaluation assets acquired is subject to further adjustment as additional information becomes available and as additional analyses and final valuations are completed. There can be no assurances that these additional analyses and final valuations will not result in significant changes to the estimates of value set forth in note 6 below.

Exploration and evaluation assets: The application of the accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that such acquisition costs incurred will be recovered through successful exploration and development or sale of the asset under review. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off to profit or loss in the period when the new information becomes available.

### b) Significant accounting estimates

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are disclosed in BlackRock's audited financial statements for the year ended June 30, 2022.

Additional assumptions and estimation uncertainties during the period are included in:

Note 14: Fair value of restricted share units and common shares issued.

Note 6: Fair value of the consideration transferred by BlackRock to acquire the net assets of Strategic and the determination of the fair value of the exploration and evaluation assets acquired.

## 6. Reverse takeover and related transactions

At the time of the RTO, the Company did not meet the definition of a business as defined under IFRS 3 "Business Combinations". Hence, the qualifying transaction was accounted for as an asset acquisition in accordance with IFRS 2, "Share-Based Payment". BlackRock was identified as the accounting acquirer that issued shares to acquire all of the net assets of Strategic, the accounting acquiree, and its listing status. These condensed interim consolidated financial statements are considered to be a continuation of the financial statements of BlackRock, the accounting acquirer.

*(Amounts are expressed in thousands of Canadian dollars, unless otherwise stated)*

The acquisition-date fair value of the consideration transferred by the accounting acquirer, BlackRock, for its interest in the accounting acquiree, Strategic, of $23,224 is determined based on the fair value of the equity interest BlackRock would have had to give to the owners of Strategic, before the reverse acquisition, to provide the same percentage equity interest in the combined entity that results from the reverse acquisition, and is recorded as an increase in common shares in the condensed interim consolidated statement of financial position.

## 6. Reverse takeover and related transactions (continued)

As the preliminary valuation of Strategic's identifiable net assets at the reverse acquisition date was $2,597, the excess of consideration transferred over the net assets acquired of $20,627 is reflected as a "Reverse acquisition of Strategic" expense in the condensed interim consolidated statement of loss and comprehensive loss. The Company has requested a third-party valuation of the exploration and evaluation assets and will make adjustments, if necessary, when the final numbers are obtained.

| | |
|---|---|
| **Consideration transferred as at March 31, 2023:** | |
| Fair value of deemed issuance of 7,472,160 post-consolidation shares to Strategic shareholders | 22,417 |
| Fair value of deemed issuance of 489,000 post-consolidation share options to Strategic option holders | 784 |
| Fair value of deemed issuance of 597,500 post-consolidation warrants to Strategic warrant holders | 23 |
| Total consideration | 23,224 |
| | |
| **Net assets of Strategic Resources Inc. acquired as at March 31, 2023:** | |
| Receivables | 42 |
| Prepaid expenses | 7 |
| Environmental deposits | 40 |
| Exploration and evaluation assets | 4,111 |
| Accounts payable and accrued liabilities | (1,603) |
| Total net assets acquired | 2,597 |
| | |
| Reverse acquisition of Strategic expense | 20,627 |

The fair value of the consideration transferred by the accounting acquirer was determined by using the share value in the private placement of $3.00 per share (post-consolidation) multiplied by the number of shares of 7,472,160 (post-consolidation) for a consideration of $22,417. The 489,000 share options (post-consolidation) were valued at $1.604 per option using the Black-Scholes valuation model with the assumptions listed in the table below for a consideration of $784. The 597,500 warrants (post-consolidation) were valued at $0.038 per warrant using the Black-Scholes valuation model with the assumptions listed in the table below for a consideration of $23. The considerations for the shares, the share options and the warrants represent the total consideration transferred by the accounting acquirer.

*(Amounts are expressed in thousands of Canadian dollars, unless otherwise stated)*

| | Share options | Warrants |
|---|---|---|
| Share price | $ 3.00 | $ 3.00 |
| Exercise price | $ 1.50 - $ 2.22 | $ 3.30 |
| Risk free rate | 3.78% | 3.78% |
| Expected life (years) | 0.25 – 3.63 | 0.05 |
| Expected volatility | 58% - 84% | 47% |

In addition, the Company incurred $200 of professional fees in connection with the reverse takeover.

## 7. Receivables

| | **March 31, 2023** | June 30, 2022 |
|---|---|---|
| Sales tax receivable | **269** | 236 |
| Mining duties receivable | **-** | 41 |
| Interest receivable | **236** | 58 |
| | **505** | 335 |

## 8. Restricted investments

| | **March 31, 2023** | June 30, 2022 |
|---|---|---|
| Guaranteed Investment Certificates | **11,936** | 11,936 |
| Non-current portion of restricted investments | **1,289** | 1,289 |
| Current portion of restricted investments | **10,647** | 10,647 |

As at March 31, 2023, restricted investments consist of Guaranteed Investment Certificates (''GICs'') issued by Canadian banks, with an average interest rate of 4.93% (June 30, 2022 – 1.08 %) with maturity dates ranging from April 2023 and December 2023. These investments are held as collateral for letters of credit issued in favor of Hydro-Québec and provincial authorities. These letters of credit can be used to cover amounts owed under the contribution agreement for liabilities related to missing the deemed completion date and therefore the related investments been presented as current assets on March 31, 2023 (Note 17). The Hydro-Québec letter of credit for the mine amounting to $4,885 could also be released over 20 years if annual consumption of electricity of the Company's project, once in operation, meets certain thresholds while the letter of credit for the metallurgical plant amounting to $5,762 could also be reimbursed under certain conditions, such as the financing of the project.

The letters of credit issued to provincial authorities amounting to $1,289 will be used to cover the asset retirement obligations that are recorded as non-current liabilities, accordingly the related investments are presented as non-current assets on March 31, 2023.

## 9. Exploration and evaluation assets

At March 31, 2023, Strategic holds two vanadium projects in Finland. The carrying values of the projects are summarized below:

*(Amounts are expressed in thousands of Canadian dollars, unless otherwise stated)*

| | Mustavaara | Silasselkä | Total |
|---|---|---|---|
| Reverse takeover and balance at March 31, 2023 (see note 6) | **$ 222** | $ 3,889 | $ 4,111 |

As indicated in notes 5 and 6, the Company has not yet finalized the valuation of these two projects at the date of the reverse takeover.

**9. Exploration and evaluation assets (continued)**

*Mustavaara Project ("Mustavaara")*

In February 2020, Strategic successfully applied for mineral reservations over the Mustavaara mine area in Finland and signed a definitive agreement with the bankruptcy estate of Ferrovan Oy ("Ferrovan") to acquire all of the intellectual property, core samples and storage facilities associated with Mustavaara for €150,000. An initial payment of €50,000 ($73) was made on February 7, 2020 with the remaining balance due on closing of the agreement with Ferrovan. The final payment of €100,000 ($156) and agreement with Ferrovan were completed on July 28, 2020.

*Silasselkä Project ("Silasselkä")*

Effective June 10, 2019, Strategic concluded a property option and joint venture agreement with Aurion Resources Ltd. ("Aurion") (the "Aurion Agreement") for Silasselkä which comprised 7 claims, 4 exploration licenses and 2 exploration reservations in northern Finland. Under the terms of the Aurion Agreement, Strategic could acquire up to a 100% interest in Silasselkä through a two stage earn-in process. The first earn-in to acquire a 75% stake in Silasselkä required: (i) issuing 3,000,000 pre-consolidation common shares of Strategic and a payment of $500 to Aurion (completed during the year ended December 31, 2019); (ii) issuing an additional 1,916,667 pre-consolidation common shares of Strategic to Aurion and spending $1,000 of exploration expenditures on Silasselkä before June 10, 2020; and (iii) issuing an additional 1,916,667 common shares of Strategic to Aurion and spending an additional $1,000 of exploration expenditures on Silasselkä before June 10, 2021. The second earn-in was to be achieved once Strategic had acquired a 75% interest in Silasselkä, whereby it could increase its interest to 100% by issuing an additional 1,166,666 common shares of Strategic to Aurion and spending an additional $1,000 of exploration expenditures before June 10, 2022.

On June 16, 2020, Strategic agreed to a revision of the terms of the Aurion Agreement whereby Aurion agreed to waive the required expenditures on the project totaling $3,000 and simplified the earn-in to a single option to earn 100% on completion of all required share issuances. 1,916,667 common shares of Strategic were issued to Aurion on each of June 10, 2020 and June 10, 2021 and 1,166,666 common shares were issued to Aurion on June 10, 2022 to complete the earn-in requirements.

Under the terms of the Aurion Agreement, if it is determined within a five-year period from June 10, 2022, thatSilasselkä contains at least 300,000 ounces of gold in the indicated mineral resource category or better, then Strategic will issue 3,000,000 common shares to Aurion.

A third party holds a 3% net smelter royalty ("NSR") on Silasselkä and other mineral properties owned by Aurion.Until the end of November 2020, Aurion had the right to buy the 3% NSR from the holder for €4,000,000. Following the expiry of this right, Aurion has, for a period of ten years, a right of first refusal to match the amount should a party wish to purchase the NSR. After ten years, Aurion can purchase 1% of the NSR for €4,000,000. In the event Aurion acquires any or all of this NSR, Strategic will have the option to purchase up to one-half of such NSR, as it pertains to the Silasselkä property, on a proportionate value basis.

*(Amounts are expressed in thousands of Canadian dollars, unless otherwise stated)*

## 10. Property, plant and equipment

| | Office equipment | Right-of-use Assets | Metallurgical plant under construction | Mine under construction | Mineral property in development | Total |
|---|---|---|---|---|---|---|
| **Cost as of June 30, 2022** | 694 | 13,406 | 66,473 | 40,653 | 29,394 | 150,620 |
| Additions | – | – | 186 | 125 | – | 311 |
| Disposals | (20) | – | – | – | – | (20) |
| Lease modification | – | 585 | – | – | – | 585 |
| Capitalized amortization | – | – | 264 | – | – | 264 |
| **Cost as of March 31, 2023** | 674 | 13,991 | 66,923 | 40,778 | 29,394 | 151,760 |
| | | | | | | |
| **Accumulated amortization as of June 30, 2022** | 691 | 1,092 | – | – | – | 1,783 |
| Depreciation and amortization | 1 | 264 | – | – | – | 265 |
| Disposals | (18) | – | – | – | – | (18) |
| **Accumulated amortization as of March 31, 2023** | 674 | 1,356 | – | – | – | 2,030 |
| **Net book value as of March 31, 2023** | **–** | **12,635** | **66,923** | **40,778** | **29,394** | **149,730** |

*(Amounts are expressed in thousands of Canadian dollars, unless otherwise stated)*

## 11. Payables and accrued liabilities

| | **March 31, 2023** | June 30, 2022 |
|---|---|---|
| Payables | **923** | 1,013 |
| Accrued liabilities | **10,287** | 10,367 |
| | **11,210** | 11,380 |

## 12. Long-term debt with shareholders

On June 2, 2022, the Company signed a two-year loan agreement, with two of its shareholders, to cover the financial guarantee provided to Energir L.P. on behalf of the Company (up to a maximum of $4.3 million) and to supply the necessary working capital required to continue the development and engineering work on the Company's project. The loan agreement had a maximum credit facility available of $28 million with an interest rate of 8% per annum, which was capitalized quarterly and added to the principal amount of the loan until its maturity date. The loan was secured by a first ranking charge over the Company's assets and mining property.

On March 31, 2023, pursuant to the RTO, the loan was terminated and the balance of the loan of $3,349 was fully repaid by conversion into 1,089,259 common shares of Strategic as part of the Transaction. As at June 30, 2022, there was a balance of $1.711 million, including accrued interest.

## 13. Lease obligations

| | **March 31, 2023** | **June 30, 2022** |
|---|---|---|
| Balance, beginning of period | **15,645** | **15,680** |
| Adjustment on lease modifications | **585** | **(805)** |
| Interest on lease obligations at the effective interest rate of 6.25% | **768** | **963** |
| Repayments | **(101)** | **(193)** |
| | **16,897** | **15,645** |
| Current portion of lease obligations | **627** | **370** |
| Lease obligations | **16,270** | **15,275** |

On October 19, 2018, the Company signed a lease agreement with Développements Port Saguenay Inc., a subsidiary of the Saguenay port Authority, for the lease of industrial land in view of the construction of the metallurgical complex to be built as part of the Company's project.

The lease contract, for a total area of 182,000 square meters, has a duration of 39 years and 11 months. The Company pays a reduced monthly rent during the construction period, which ends on March 31, 2024 as per the lease contract.

*(Amounts are expressed in thousands of Canadian dollars, unless otherwise stated)*

## 13. Lease obligations (continued)

The following table presents an analysis of the contractual undiscounted cash flows from lease obligations:

| | **March 31, 2023** |
|---|---|
| Less than one year | **627** |
| One to five years | **3,956** |
| More than five years | **43,080** |
| Total undiscounted lease obligations | **47,663** |

## 14. Share capital

### a) Authorized and issued share capital

The authorized share capital is an unlimited number of common shares without par value.

Issued shares are as follows and are fully paid:

| | Number of shares | Amount |
|---|---|---|
| Balance, June 30, 2022 | 44,042,913 | 187,045 |
| Shares issued for stakeholder support (1) | 1,534,494 | 4,603 |
| Conversion of long-term debt with shareholders (2) | 1,089,259 | 3,349 |
| Private placement – subscription receipts (3) | 4,500,000 | 13,500 |
| Private placement – convertible debentures (3) | 169,772 | 509 |
| Share issue costs (3) | | (473) |
| Effect of reverse acquisition (note 6) (4) | 7,472,160 | 22,417 |
| Balance, March 31, 2023(5) | 58,808,598 | 230,950 |

(1) BlackRock issued 3.5 billion pre-consolidation common shares for no cash consideration for stakeholder participation in the project development including but not limited to guidance with respect to social acceptability issues and environmental stewardship and for continuing support of the development of important project related infrastructure initiatives. The 3.5 billion common shares have a fair value of $4,603 and were recognized as an expense for stakeholder support. On Close of the Transaction, they have been converted into 1,534,494 post-consolidation Strategic common shares.

(2) On March 31, 2023, in connection with the Transaction, $3,349 of loan payable to shareholders was converted into 1,089,259 post-consolidation Strategic common shares.

(3) On March 31, 2023, concurrently with the Transaction, the Company completed a financing for gross proceeds of $14.0 million through a private placement of $13.5 million of subscription receipts and $0.5 million of convertible notes. The Receipts were issued at a pre-consolidation price of $0.50 per Receipt entitling the holder to receive, without payment of additional consideration or further action, upon closing of the Transaction, one common share of Strategic. Upon closing of the Transaction, the convertible notes automatically converted to common shares of Strategic at a pre-consolidation price of $0.50 per share. In relation to the private placement, the Company incurred share issue costs of $473 which is deducted from share capital.

## 14. Share capital (continued)

### a) Authorized and issued share capital (continued)

(4) As described in Note 1, the reverse acquisition was completed on March 31, 2023 and is reflected in these condensed interim consolidated financial statements. The fair value of the assumed consideration paid by BlackRock to the Company was $22,417 representing the assumed issuance of 7,472,160 post-consolidation common shares to the existing shareholders as well as 489,000 post-consolidation replacement stock options and 597,500 post-consolidation replacement warrants, which were valued at $807.

(5) On March 31, 2023, all outstanding common shares of BlackRock were exchanged on a 1:0.0026 basis (the "Share Exchange") and they were consolidated on a 6:1 basis (the "Share Consolidation"). The Share Exchange and the Share Consolidation are reflected retrospectively in these consolidated financial statements.

### b) Share Option, Deferred share units (“DSU”) and Restricted share units (“RSU”) Plan

Effective February 27, 2023, the Company’s Board adopted a new 10% rolling share option plan (“SO Plan”), in order to comply with the TSXV’s updated policy regarding equity compensation plans. In addition, the Company’s Board concurrently adopted a new RSU/DSU Plan to allow for the issuance of restricted share units (“RSUs”) and deferred share units (“DSUs”).

The Board of the Company intend to grant share purchase options under the SO Plan, and to grant RSU or DSU awards under the RSU/DSU Plan as a means to provide incentives to directors, officers, employees and consultants of the Company and its subsidiaries. In determining the number of incentives to be granted to each person, the Company will take into account (i) the level of responsibility of the person, (ii) his or her impact or contribution to the longer-term operating performance of the Company, (iii) the number of incentives if any, previously granted to each person, and (iv) the exercise price or vesting criteria of any outstanding incentives to ensure that the interests of the individuals are closely aligned with the interests of shareholders.

The maximum number of shares which may be reserved for issuance of all shares options under the SO Plan and all awards under the RSU/DSU Plan, collectively, will be 10% of the issued and outstanding Company’s Shares, from time to time. The SO Plan and the RSU/DSU Plan also provide that the maximum number of common shares which may be reserved for issuance to any optionee may not exceed 5% of the outstanding common shares at the time of vesting.

The term and exercise price of the options will be determined by the board of directors at the time such options are granted, provided that options will not be permitted to exceed a term of ten years and the exercise price shall not be less than the minimum price of options permitted by the TSXV.

Unless otherwise indicated upon grant, DSUs and RSUs shall not vest within the first anniversary of the grant date. Upon vesting, DSUs shall be settled as soon as reasonably practicable following retirement, death or the participant ceasing to be employed, and in any event within 30 days. Upon vesting, RSUs shall be settled as soon as reasonably practicable, and in any event within 30 days. In order to settle a vested unit, the Company shall, at the discretion of the holder, (i) issue one common share of the Company or (ii) pay an amount in cash equal to the fair value of one common share of the Company or (iii) perform a combination of (i) and (ii).

*(Amounts are expressed in thousands of Canadian dollars, unless otherwise stated)*

## 14. Share capital (continued)

### c) Outstanding DSU and RSU

There were no DSU and RSU outstanding as at June 30, 2022.

The following table summarizes the information related to the RSUs granted to replace the previously outstanding RSUs in the capital of BlackRock for the nine-month period ended March 31, 2023:

| | Number of RSUs |
|---|---|
| As at June 30, 2022 | - |
| Granted | 2,256,609 |
| **As at March 31, 2023** | **2,256,609** |
| **Exercisable** | **-** |

As at March 31, 2023, the Company had the following RSUs outstanding:

| Number of RSUs | Vesting date |
|---|---|
| 1,128,305 | July 1, 2023 |
| 1,128,304 | July 1, 2024 |
| **2,256,609** | |

On March 31, 2023, the Company has 2,256,609 RSUs outstanding to employees and directors. For the three-month and nine-month period ended March 31, 2023, the Company recorded share-based payment expense of $973 and $2,918 respectively. As at March 31, 2023, the fair value of the RSUs are classified as liabilities as they can be settled either in cash or shares at the option of the holder and have been revalued at $3,715, with a loss on fair value of $204 and $798 respectively recognized in the consolidated statement of loss for the three-month and nine-month period ended March 31, 2023.

### d) Outstanding Share Options

Share options and weighted average exercise prices are as follows for the period:

| | **Period ended March 31, 2023** | |
|---|---|---|
| | **Number of options** | **Weighted average exercise price** |
| Outstanding, beginning of period | - | - |
| Issuance to former Strategic option holders (note 6) | **489,000** | 1.94 |
| Outstanding, end of period | **489,000** | 1.94 |

*(Amounts are expressed in thousands of Canadian dollars, unless otherwise stated)*

## 14. Share capital (continued)

### d) Outstanding Share Options (continued)

The Company has the following outstanding share options as at March 31, 2023:

| Options outstanding | | | | Options exercisable | |
|---|---|---|---|---|---|
| **Number of options** | **Expiry date** | **Weighted average life (years)** | **Exercise price** | **Number of options** | **Exercise price** |
| 43,333 | June 29, 2023 | 0.25 | $ 1.50 | 43,333 | $ 1.50 |
| 55,833 | June 29, 2023 | 0.25 | $ 2.22 | 55,833 | $ 2.22 |
| 44,167 | June 29, 2023 | 0.25 | $ 2.10 | 44,167 | $ 2.10 |
| 112,333 | October 21, 2024 | 1.56 | $ 1.50 | 112,333 | $ 1.50 |
| 117,500 | November 19, 2025 | 2.64 | $ 2.22 | 117,500 | $ 2.22 |
| 16,667 | April 14, 2026 | 3.04 | $ 1.80 | 16,667 | $ 1.80 |
| 99,167 | November 16, 2026 | 3.63 | $ 2.10 | 99,167 | $ 2.10 |
| 489,000 | | 1.91 | $ 1.94 | 489,000 | $ 1.94 |

### e) Outstanding Warrants

The following table summarizes warrants activity for the period:

| | Period ended March 31, 2023 | |
|---|---|---|
| | **Number of warrants** | **Weighted average exercise price** |
| Outstanding, beginning of period | - | - |
| Issuance of Strategic warrants (note 6) | **597,500** | 3.30 |
| Outstanding, end of period | 597,500 | 3.30 |

Warrants outstanding at March 31, 2023 are as follows:

| Warrants outstanding | | | | Warrants exercisable | |
|---|---|---|---|---|---|
| **Number of warrants** | **Expiry date** | **Weighted average life (years)** | **Exercise price** | **Number of warrants** | **Exercise price** |
| 597,500 | April 20, 2023 | 0.05 | $ 3.30 | 597,500 | $ 3.30 |
| 597,500 | | 0.05 | $ 3.30 | 597,500 | $ 3.30 |

The above warrants expired on April 20, 2023 without being exercised.

*(Amounts are expressed in thousands of Canadian dollars, unless otherwise stated)*

## 15. Related party transactions

Key management includes the Company's directors and all executive officers. Compensation awarded to key management includes:

| | **Three-month period ended** | | **Nine-month period ended** | |
|---|---|---|---|---|
| | **March 31, 2023** | March 31, 2022 | **March 31, 2023** | March 31, 2022 |
| Management salaries, bonuses and benefits | **222** | 544 | **622** | 1,592 |
| Share-based compensation | **973** | 21 | **2,918** | 115 |
| Consulting fees | **92** | 159 | **260** | 478 |
| Director's fees | **-** | 68 | **-** | 221 |
| | **1,287** | 792 | **4,074** | 2,406 |

## 16. Finance expenses, net

| | **Three-month period ended** | | **Nine-month period ended** | |
|---|---|---|---|---|
| | **March 31, 2023** | March 31, 2022 | **March 31, 2023** | March 31, 2022 |
| Finance income: | | | | |
| Interest income from cash and restricted investments | **150** | 27 | **317** | 68 |
| Finance expenses: | | | | |
| Financial costs | **70** | 37 | **146** | 114 |
| Interest expense | **315** | 4.092 | **905** | 13,503 |
| Accretion interest | **8** | 12 | **25** | 2,553 |
| | **(393)** | (4,141) | **(1,076)** | (16,170) |
| **Finance expenses, net** | **(243)** | (4,114) | **(759)** | (16,102) |

## 17. Commitments

In the normal course of business, the Group enters into contracts that give rise to commitments. The following table summarizes the Group's contractual obligations:

| Year ending June 30: | 2023 | 2024 | 2025 | 2026 | Thereafter | Total |
|---|---|---|---|---|---|---|
| Operating lease payments | 3 | 1 | – | – | – | 4 |
| Services agreement | 13 | – | – | – | – | 13 |
| Purchase orders | 100 | – | – | – | – | 100 |
| | **116** | **1** | **–** | **–** | **–** | **117** |

The Group also entered into contracts which have contractual commitments as follows:

## 17. Commitments (continued)

### Hydro-Québec

Chibougamau

On March 30, 2012, BlackRock entered into a contribution agreement with Hydro-Québec by which Hydro-Québec shall provide electricity at high voltage to supply the new electrical installation located east of Lac Chibougamau with a projected available power of 40MW. The total cost of construction of the power line was estimated at $28.4 million of which Hydro-Québec would pay for $9.7 million of the total costs, and BlackRock would pay the remaining $18.7 million. On November 7, 2019, the agreement was temporarily suspended to allow for the rescheduling of the project's construction, with a deemed completion date of September 13, 2020. An amendment signed in October 2021 extended the deemed completion date to June 21, 2022.

The contribution portion of Hydro-Québec is secured by a letter of credit. This letter of credit is to be released over 20 years based on the annual consumption of electricity at the Company project once in operation.

As at March 31, 2023, a letter of credit, renewable every year, of $4.9 million (June 30, 2022 - $4.9 million) was issued by a Canadian bank in favor of Hydro-Québec to cover Hydro-Quebec's portion of the cost of construction incurred to date plus applicable taxes. The letter of credit is secured by restricted investments consisting of a Guaranteed Investment Certificate (''GIC'') of the same amount (Note 8).

In case the project is not completed, or the consumption of electricity is less than as agreed in the contribution agreement, a portion of or the totality of the $4.9 million restricted investment will be payable to Hydro-Quebec. If the project is not completed by the deemed completion date, BlackRock is required to pay for the cumulative construction costs incurred by Hydro-Québec. As a result, given that the initial deemed completion date of September 13, 2020 has passed without being amended, a liability was recorded in the amount of $4.2 million (net of taxes) as at June 30, 2022 and March 31, 2023. On April 14, 2023, Hydro-Québec granted an extension of the deemed completion date to September 30, 2023, prior to which BlackRock shall be required to submit a letter of resumption which may trigger a new estimate of the capital costs by Hydro-Québec for which BlackRock may be assessed additional construction costs and financial guarantees.

Saguenay

On November 14, 2016, BlackRock entered into an agreement with Hydro-Québec by which Hydro-Québec shall provide electricity at high voltage to supply the new metallurgical plant located in Saguenay with projected available power of 85MW. The supply of the 85MW of electricity required for BlackRock's metallurgical plant in the Saguenay Port industrial zone will require the construction of a 9.1Km 161 Kv multiuser transmission line. The total cost of construction of the power line was estimated at $33.3 million of which Hydro-Québec, through a contribution agreement, would pay $30.5 million of the total cost, and BlackRock would pay the remaining $2.8 million.

In 2018, the Port of Saguenay and the Government of Québec agreed to provide the financial guarantees required by Hydro-Québec subject to BlackRock's construction financing being finalized. On September 12, 2019, the agreement was temporarily suspended to allow for the rescheduling of the project's construction.

## 17. Commitments (continued)

### Hydro-Québec (continued)

Saguenay (continued)

As at March 31, 2023, a letter of credit, renewable every year, of $5.7 million (June 30, 2022 - $5.7 million) was issued by a Canadian bank in favor of Hydro-Québec to cover Hydro-Quebec's portion of the cost of construction to date plus applicable taxes. The letter of credit is secured by restricted investments consisting of a Guaranteed Investment Certificate (''GIC'') of the same amount (Note 8). However, the Port of Saguenay and the Government of Québec have agreed to reimburse the letter of credit when the construction financing will be confirmed. The amended contribution agreement contains a deemed completion date of June 21, 2022. If the project is not completed at that time, BlackRock is required to pay for the cumulative construction costs incurred by Hydro-Québec. As a result, given that the deemed completion date of June 21, 2022 has passed, a liability was recorded in the amount of $5.0 million (net of taxes) as at June 30, 2022 and March 31, 2023. On April 14, 2023, Hydro-Québec granted an extension of the deemed completion date to September 30, 2023, prior to which BlackRock shall be required to submit a letter of resumption which may trigger a new estimate of the capital costs by Hydro-Québec for which BlackRock may be assessed additional construction costs and financial guarantees.

## 18. Financial instruments and financial risk management objectives and policies

The Company is exposed to a variety of financial risks by virtue of its activities, including credit risk, interest rate risk, liquidity risk, and foreign currency risk. The Company's objective with respect to risk management is to minimize potential adverse effects on the Company's financial performance. The Company's Board of Directors provides direction and guidance to management with respect to risk management. Management is responsible for establishing controls and procedures to ensure that financial risks are mitigated to acceptable levels.

### Fair value

The carrying values of cash, restricted investments and payables and accrued liabilities approximate their fair values as at March 31, 2023 and June 30, 2022 due to their immediate or short-term maturity.

The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an arm's length transaction between market participants at the measurement date. When appropriate, the Company adjusts the valuation models to incorporate a measure of credit risk.

### Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company manages credit risk by investing its excess cash in short-term investments with Canadian chartered banks. The maximum exposure to credit risk at the reporting date is the carrying value of the Company's financial assets.

## 18. Financial instruments and financial risk management objectives and policies (continued)

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to interest rate risk with respect to its cash flows. The risk that the Company will realize a loss as a result of a decline in the fair value of any short-term investments included in restricted investments is limited because these investments, although readily convertible into cash, are generally held to maturity. As of March 31, 2023, management estimates that if interest rates had changed by 50 basis points for those funds invested in guaranteed investment certificates, assuming all other variables remained constant, the impact on the Company’s loss for the three and nine-month periods ended March 31, 2023 would have been negligible.

### Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company is not presently generating any cash inflows from its operating activities. The Company manages its liquidity risk by forecasting cash flow requirements for its planned operating activities as well as its investing and financing activities.

As at March 31, 2023, the Company had current assets of $24.4 million to settle current liabilities of $14.3 million, which include payables and accrued liabilities and other short-term obligations. The Company’s trade payables have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation of capital and liquidity (Note 19).

### Foreign exchange risk

The functional currency of the Company and its subsidiaries is the Canadian dollar or Euro. The Group’s reporting currency is the Canadian dollar. The carrying amounts of financial assets and financial liabilities denominated in currencies other than the functional currency for each subsidiary are subject to fluctuations in the underlying foreign currency exchange rates. Gains and losses on such items are included as a component of net loss for the period.

The Group is exposed to currency risks arising from fluctuations in foreign exchange rates primarily among the U.S. dollar and Euro and the degree of volatility of these rates. The Group does not use derivative instruments to reduce its exposure to foreign exchange and currency risks. The Group’s exposure to foreign currency risks on cash balances held in foreign currencies is not expected to be significant.

As at March 31, 2023, the Group has cash denominated in US dollars of US$29 and in Euro of €4 and accounts payable denominated in US dollars of US$2.

## 19. Policies and processes for managing capital

As at March 31, 2023, the capital of the Company consists of shareholders’ equity amounting to $141 million. The Company’s capital management objective is to have sufficient capital to be able to execute its development plan in order to ensure the growth of its activities. It also has the objective of having sufficient cash to finance its development, other investing activities and working capital requirements. The Company has no dividend policy. Changes in capital are described in the condensed interim consolidated statements of changes in equity.

## 20. Contingencies

**Claim by terminated former employees**

Following their termination on June 2, 2022, certain employees filed complaints with the CNESST for dismissals made without good and sufficient cause and have requested unspecified compensation. These complaints have been forwarded to the Administrative Labour Tribunal and a hearing date has been scheduled in July 2023. In addition, these former employees have given notice to the Company requesting additional compensation which, if not received, may result in legal proceedings. No provision has been recorded by the Company in connection with this matter. The Company does not expect the resolution of this matter to have a material adverse effect on the financial position or results of operations of the Company.

**Action by former shareholders**

On June 2, 2022, BlackRock emerged from proceedings pursuant to the *Companies' Creditors Arrangement Act* (the "**CCAA Proceedings**"), as a result of which, certain Secured Lenders became owners of BlackRock by exchanging their loans payable for shares of BlackRock. Following the completion of this restructuring, certain former shareholders of the Company objected to the structure of the CCAA restructuring and the granting of a release to the Secured Lenders. Counsel to these former shareholders filed an appeal which was dismissed by the Superior Court of Québec on July 13, 2022 and the Court of Appeal of Québec on August 5, 2022. On October 4, 2022, the former shareholders filed an application for leave to appeal to the Supreme Court of Canada from the judgment of the Court of Appeal of Québec. On May 4, 2023, the Supreme Court of Canada dismissed the application for leave to appeal.