

**BENJAMIN HILL MINING CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended August 31, 2022 and 2021

(Expressed in Canadian dollars)



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Benjamin Hill Mining Corp.

### Opinion

We have audited the consolidated financial statements of Benjamin Hill Mining Corp. (the “Company”), which comprise the consolidated statements of financial position as at August 31, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders’ equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

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

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DMCL

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

December 29, 2022



An independent firm  
associated with Moore  
Global Network Limited

**BENJAMIN HILL MINING CORP.**  
Consolidated Statements of Financial Position  
(Expressed in Canadian dollars)

	Note	August 31, 2022	August 31, 2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 153,596	\$ 46,355
Sales tax receivable		20,201	9,774
Prepays and advances		<u>16,353</u>	<u>9,246</u>
<b>Total current assets</b>		<u>190,150</u>	<u>65,375</u>
<b>Non-current assets</b>			
Exploration and evaluation assets	5	<u>7,479,171</u>	<u>3,270,166</u>
<b>Total non-current assets</b>		<u>7,479,171</u>	<u>3,270,166</u>
<b>TOTAL ASSETS</b>		<u>\$ 7,669,321</u>	<u>\$ 3,335,541</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	6	\$ 829,920	\$ 503,861
Loans payable	6	-	1,085,624
Due to related parties	8	<u>17,850</u>	<u>16,220</u>
<b>Total current liabilities</b>		<u>847,770</u>	<u>1,605,705</u>
<b>SHAREHOLDERS' EQUITY</b>			
Capital stock	7	12,174,514	6,154,570
Reserves	7	2,381,066	1,145,436
Deficit		<u>(7,734,029)</u>	<u>(5,570,170)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>6,821,551</u>	<u>1,729,836</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>\$ 7,669,321</u>	<u>\$ 3,335,541</u>

Nature and continuance of operations (Note 1)

Commitments (Note 5)

"Cole McClay"

Director

"Greg Bronson"

Director

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

**BENJAMIN HILL MINING CORP.**

## Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Note	Year ended August 31, 2022	Year ended August 31, 2021
<b>EXPENSES</b>			
Consulting	8	\$ 161,865	\$ 144,000
Exploration costs		-	50,220
Foreign exchange		67,615	1,611
Interest expense	6	22,225	12,351
Office and administration		99,437	64,664
Professional fees		209,690	169,401
Rent	8	36,000	36,500
Stock-based compensation	7,8	765,506	904,096
Transfer agent and filing fees		44,686	40,859
Write-down of exploration and evaluation assets	5	-	734,500
Write-down of amounts due from related parties	8	-	330,793
Loss on settlement of debt	7	756,835	-
<b>Loss and comprehensive loss for the year</b>		<b>\$ (2,163,859)</b>	<b>\$ (2,488,995)</b>
<b>Basic and diluted loss per share</b>		<b>\$ (0.04)</b>	<b>\$ (0.07)</b>
<b>Weighted average number of shares outstanding - basic and diluted</b>		<b>50,243,019</b>	<b>35,839,856</b>

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

**BENJAMIN HILL MINING CORP.**  
Consolidated Statements of Cash Flows  
For the years ended August 31, 2022 and 2021  
(Expressed in Canadian dollars)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	\$ (2,163,859)	\$ (2,488,995)
Item not involving cash:		
Stock-based compensation	765,506	904,096
Interest on loans payable	22,225	-
Loss on settlement of debt	756,834	-
Write-down of exploration and evaluation assets	-	734,500
Write-down of amounts due from related parties	-	330,793
Changes in non-cash working capital:		
Sales tax receivable	(10,427)	6,194
Prepays and advances	(7,107)	(9,246)
Accounts payable and accrued liabilities	(447,049)	453,256
Due to/from related parties	1,630	(125,898)
Net cash used in operating activities	(1,082,247)	(195,300)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation assets	(1,824,714)	(1,344,542)
Net cash used in investing activities	(1,824,714)	(1,344,542)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Private placement	2,112,246	-
Share issuance costs	(55,020)	-
Proceeds from loans payable	296,360	1,085,624
Exercise of warrants	634,616	410,861
Exercise of stock options	26,000	85,000
Net cash provided by financing activities	3,014,202	1,581,485
Change in cash	107,241	41,643
Cash, beginning	46,355	4,712
Cash, end	\$ 153,596	\$ 46,355

Non-cash investing and financing activities during the year ended August 31, 2022:

- 5,256,488 shares were issued at a fair value of \$1,611,183 for an exploration and evaluation asset;
- Transferred a fair value of \$105,769 to share capital on the exercise of warrants;
- Transferred a fair value of \$24,529 to share capital on the exercise of stock options;
- Recorded a fair value of \$44,189 to reserves for finders' warrants; and
- 4,012,024 units were issued with a fair value of \$2,161,043 to settle debt of \$1,404,209.

Non-cash investing and financing activities during the year ended August 31, 2021:

- 2,500,000 shares were issued at a fair value of \$1,140,000 for an exploration and evaluation asset;
- 150,000 shares were issued at a fair value of \$69,000 as a finder's fee for an exploration and evaluation asset;
- Transferred a fair value of \$80,192 to share capital on the exercise of stock options; and
- Transferred a fair value of \$68,477 to share capital on the exercise of warrants.

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

**BENJAMIN HILL MINING CORP.**

## Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Number of Shares	Capital Stock	Reserves	Deficit	Total
<b>Balance as at August 31, 2020</b>	32,831,093	\$ 4,301,040	\$ 390,009	\$ (3,081,175)	\$ 1,609,874
Exercise of warrants	2,739,073	410,861	-	-	410,861
Transfer to share capital on exercise of warrants	-	68,477	(68,477)	-	-
Shares issued for exploration and evaluation assets	2,650,000	1,209,000	-	-	1,209,000
Exercise of stock options	340,000	85,000	-	-	85,000
Transfer to share capital on exercise of options	-	80,192	(80,192)	-	-
Stock-based compensation	-	-	904,096	-	904,096
Loss for the year	-	-	-	(2,488,995)	(2,488,995)
<b>Balance as at August 31, 2021</b>	38,560,166	\$ 6,154,570	\$ 1,145,436	\$ (5,570,170)	\$ 1,729,836
Private placements	6,034,989	2,112,246	-	-	2,112,246
Share issue costs	-	(99,209)	44,189	-	(55,020)
Exercise of warrants	4,230,770	634,616	-	-	634,616
Transfer to share capital on exercise of warrants	-	105,769	(105,769)	-	-
Exercise of stock options	104,000	26,000	-	-	26,000
Transfer to share capital on exercise of stock options	-	24,529	(24,529)	-	-
Shares issued for exploration and evaluation assets	5,256,488	1,611,183	-	-	1,611,183
Units issued for debt settlement	4,012,024	1,604,810	556,233	-	2,161,043
Stock-based compensation	-	-	765,506	-	765,506
Loss for the year	-	-	-	(2,163,859)	(2,163,859)
<b>Balance as at August 31, 2022</b>	58,198,437	\$ 12,174,514	\$ 2,381,066	\$ (7,734,029)	\$ 6,821,551

See Note 7

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

## **BENJAMIN HILL MINING CORP.**

Notes to the Consolidated Financial Statements

For the Years Ended August 31, 2022 and 2021

(Expressed in Canadian Dollars)

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### **1. NATURE AND CONTINUANCE OF OPERATIONS**

Benjamin Hill Mining Corp. (the “Company”) was incorporated on August 21, 2014 under the Business Corporations Act of British Columbia. The head office of the Company is 1050 - 12471 Horseshoe Way, Richmond, BC, V7A 4X6. The registered and records office is Suite 1400, 1125 Howe Street, Vancouver, British Columbia, V6Z 2K8. The common shares of the Company are listed on the Canadian Securities Exchange (“CSE”) under the symbol “BNN” and on the OTCQB under the symbol “BNNHF”.

The Company is in the business of the exploration and development of natural resource properties in Mexico.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at August 31, 2022 the Company has not generated any revenues from operations, has a working capital deficiency of \$657,620 and accumulated deficit of \$7,734,029.

The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management assesses that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

If the going concern assumption is not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses, and the classifications used could be material.

These consolidated financial statements were authorized for issue on December 29, 2022 by the directors of the Company.

### **2. BASIS OF PREPARATION**

These consolidated financial statements have been prepared using accounting policies in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). The significant accounting policies applied in these financial statements are based on the IFRS issued and effective as of August 31, 2022.

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. The Company's subsidiary is Benjamin Hill Mining Company SA de CV (formerly Mojave Gold SA De CV), which was incorporated in Mexico on October 14, 2020. A subsidiary is any entity controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity; is exposed to variable returns in connection with its interest in the entity; and a linkage exists between this power and exposure to variable returns. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposal or loss of control.

All intra-group transactions, balances, income and expenses are eliminated, in full, on consolidation.



## **BENJAMIN HILL MINING CORP.**

### Notes to the Consolidated Financial Statements

For the Years Ended August 31, 2022 and 2021

(Expressed in Canadian Dollars)

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#### **2. BASIS OF PREPARATION (CONTINUED)**

These consolidated financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

The consolidated financial statements are presented in Canadian Dollars, which is also the Company and its subsidiary's functional currency, unless otherwise indicated.

#### **3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgments 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.

##### a) Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the existence of indicators of impairment of the Company's exploration and evaluation assets;
- the classification / allocation of expenditures as exploration and evaluation expenditures or operating expenses; and
- the determination of the functional currency of the parent company and its subsidiary.

##### b) Significant estimates and assumptions

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

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

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and provisions for restoration and environmental obligations.

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

##### a) Foreign Currency Translation

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of both the parent company and its subsidiary. The Company's subsidiary is domiciled in Mexico and, when required, utilizes a mix of currencies in local transactions. As the subsidiary does not generate its own cash inflows and is exclusively financed by the parent company in Canadian dollars, management has determined that its functional currency is also the Canadian dollar.

## **BENJAMIN HILL MINING CORP.**

Notes to the Consolidated Financial Statements

For the Years Ended August 31, 2022 and 2021

(Expressed in Canadian Dollars)

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### **4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### a) Foreign Currency Translation (continued)

##### Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognized in profit or loss in the statement of comprehensive loss.

#### b) Cash

Cash includes cash on hand, deposits held with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amount of cash and subject to an insignificant risk of change value.

#### c) Exploration and Evaluation Assets

The Company's exploration and evaluation assets consist of mineral rights acquired and exploration and evaluation expenditure capitalized in respect of projects that are at the exploration and evaluation stage.

No amortization charge is recognized in respect of exploration and evaluation assets. These assets are transferred to property, plant and equipment upon the commencement of mine development.

Exploration and evaluation expenditures in the relevant area of interest comprises costs which are directly attributable to:

- Acquisition;
- Surveying, geological, geochemical and geophysical;
- Exploratory drilling;
- Land maintenance;
- Sampling; and
- Assessing technical feasibility and commercial viability.

Exploration and evaluation expenditures related to an area of interest where the Company has tenure are capitalized as intangible assets and are initially recorded at cost less impairment.

Exploration and evaluation expenditures also includes the costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects. Capitalized costs, including general and administrative costs, are only allocated to the extent that those costs can be related directly to operational activities in the relevant area of interest.

Where the Company has entered into option agreements to acquire interests in mineral properties that require periodic share issuances, amounts un-issued are not recorded as liabilities since they are issuable entirely at the Company's option. Option payments are recorded as mineral property costs when the payments are made and share issuances are recorded as mineral property costs using the fair market value of the Company's common shares at the date of the issuance.

## **BENJAMIN HILL MINING CORP.**

### Notes to the Consolidated Financial Statements

For the Years Ended August 31, 2022 and 2021

(Expressed in Canadian Dollars)

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#### **4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### c) Exploration and Evaluation Assets (continued)

All capitalized exploration and evaluation expenditure is assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The following circumstances indicate that an entity should test exploration and evaluation assets for impairment:

- The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditures on further exploration and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

In circumstances where a property is abandoned, the cumulative capitalized costs relating to the property are written off in the period.

##### d) Impairment of Non-Financial Assets

At the end of each reporting period, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

##### e) Financial Instruments

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

###### (i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL.

**BENJAMIN HILL MINING CORP.**  
Notes to the Consolidated Financial Statements  
For the Years Ended August 31, 2022 and 2021  
(Expressed in Canadian Dollars)

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

e) Financial Instruments (continued)

For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

(ii) Measurement

Financial assets and liabilities at amortized cost

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

Financial assets and liabilities at FVTPL

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

Debt investments at FVTOCI

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

Equity investments at FVTOCI

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

(iii) Impairment of financial assets at amortized cost

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

(iv) Derecognition

Financial assets

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

**BENJAMIN HILL MINING CORP.**  
Notes to the Consolidated Financial Statements  
For the Years Ended August 31, 2022 and 2021  
(Expressed in Canadian Dollars)

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

e) Financial Instruments (continued)

Financial liabilities

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

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

f) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation estimated at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

g) Income Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

h) Stock based compensation

The Company may grant stock options to buy common shares of the Company to directors, officers, employees and consultants. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion.

## **BENJAMIN HILL MINING CORP.**

Notes to the Consolidated Financial Statements

For the Years Ended August 31, 2022 and 2021

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### **4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **h) Stock based compensation (continued)**

The fair value of the options is measured at grant date, using the Black-Scholes Option Pricing Model, and is recognized over the vesting period that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Where the terms of a stock option is modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the stock-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

#### **i) Earnings (Loss) Per Share**

The Company presents basic and diluted earnings/loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings/loss per share does not adjust the loss attributable to common shareholders or the weight average number of common shares outstanding when the effect is anti-dilutive.

#### **New standards, interpretations and amendments not yet effective**

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

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**5. EXPLORATION AND EVALUATION ASSETS**

	Sonora, Mexico	Kwedilima Cheetah, Tanzania	Panther1, Canada	Total
<b>Balance – August 31, 2020</b>	\$ 741,624	\$ -	\$ 709,500	\$ 1,451,124
Deferred costs during the year				
<b>Acquisition costs:</b>	1,300,417	-	-	1,300,417
<b>Exploration costs:</b>				
Claims, leases, land permitting	251,069	-	-	251,069
Consulting fees	61,100	10,000	-	71,100
Field equipment and supplies	208,066	15,000	-	223,066
Geology	379,848	-	-	379,848
Office, miscellaneous and travel	6,887	-	-	6,887
Rent	210,594	-	-	210,594
Taxes and other	110,561	-	-	110,561
	1,228,125	25,000	-	1,253,125
Write-down	-	(25,000)	(709,500)	(734,500)
<b>Balance – August 31, 2021</b>	3,270,166	-	-	3,270,166
Deferred costs during the year				
<b>Acquisition costs:</b>	1,784,138	-	-	1,784,138
<b>Exploration costs:</b>				
Consulting fees	272,998	-	-	272,998
Drilling, field equipment and supplies	1,447,085	-	-	1,447,085
Office, miscellaneous and travel	195,114	-	-	195,114
Rent	263,865	-	-	263,865
Taxes and other	245,805	-	-	245,805
	2,424,867	-	-	2,424,867
<b>Balance – August 31, 2022</b>	\$ 7,479,171	\$ -	\$ -	\$ 7,479,171

**Panther1 Property, Canada**

During the year ended August 31, 2021, the Company abandoned its properties in Vancouver Island, British Columbia and wrote-down \$709,500 on its Panther 1 Property.

**Kwedilima Cheetah Property, Tanzania**

During the year ended August 31, 2020, the Company abandoned its properties in Tanzania and wrote-down \$623,563 on its Kwedilima Cheetah Property. A further \$25,000 was written off during the year ended August 31, 2021.

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#### **5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

##### **Sonora Gold Property, Mexico**

On August 4, 2020 and amended February 1, 2021 and August 4, 2022, the Company signed an option agreement (the "Agreement") with Minerale de Tarachi S de RL de CV for an option for the Company to earn a 100% interest in the Sonora gold mineral concessions in the mining district of Benjamin Hill in Sonora, Mexico.

The Option may be exercised by making eleven cash payments, every six months, totaling US\$4,000,000 within five years of the execution of the Agreement (the "Execution Date" or August 4, 2020) as follows:

- US\$50,000 on the Execution Date (paid at the Canadian equivalent of \$66,650);
- US\$50,000 on or before March 10, 2021 (paid at the Canadian equivalent of \$64,175);
- US\$50,000 on the 1<sup>st</sup> anniversary of the Execution Date (paid at the Canadian equivalent of \$64,124);
- US\$50,000 on the 18<sup>th</sup> month following the Execution Date (paid at the Canadian equivalent of \$63,904);
- US\$50,000 on the 2<sup>nd</sup> anniversary of the Execution Date (extended to August 4, 2023 per amendment);
- US\$50,000 on the 30<sup>th</sup> month following the Execution Date;
- US\$150,000 on the 3<sup>rd</sup> anniversary of the Execution Date;
- US\$150,000 on the 42<sup>nd</sup> month following the Execution Date;
- US\$200,000 on the 4<sup>th</sup> anniversary of the Execution Date;
- US\$500,000 on the 54<sup>th</sup> month following the Execution Date; and
- US\$2,700,000 on the 5<sup>th</sup> anniversary of the Execution Date.

The Company shall also issue to the optionor 10,000,000 common shares of the Company as follows:

- 1,500,000 common shares 2 business days following the date of filing of the Agreement with the CSE (the "Effective Date" or August 7, 2020) (issued at a fair value of \$607,500);
- 1,500,000 common shares on the 6<sup>th</sup> month following the Effective Date (issued at a fair value of \$690,000);
- 2,000,000 common shares on the 1<sup>st</sup> anniversary of the Execution Date (issued at a fair value of \$700,000);
- 2,000,000 common shares on the 2<sup>nd</sup> anniversary of the Execution Date (issued at a fair value of \$220,000); and
- 3,000,000 common shares on the 3<sup>rd</sup> anniversary of the Execution Date.

The Optionor retains a 3.0% net smelter royalty pursuant to the Agreement, of which 1.0% may be purchased by the Company for US\$1,000,000, reducing the Optionor's interest to 2.0%.

In connection with the Agreement, the Company has entered into a finder's fee agreement with Spirit Exploration Corp. ("Spirit") in consideration for services in introducing the Company to the Optionor, pursuant to which Spirit shall receive consideration in the form of shares at the rate of 10% of the cash and option payments payable under the Option Agreement during the first 3 years of the term of the Agreement as follows:

Cash payments:

- Cash payment of US\$5,000 or issuance of 17,241 common shares after the execution of the Agreement (issued 17,241 common shares at a fair value of \$6,724);
- Cash payment of US\$5,000 or issuance of 17,241 common shares on or before March 10, 2021 (issued 17,241 common shares at a fair value of \$9,483);
- Cash payment of US\$5,000 or issuance of 17,241 common shares after the 1<sup>st</sup> anniversary of the Execution Date of the Agreement (issued 17,241 common shares at a fair value of \$9,483);
- Cash payment of US\$5,000 or issuance of 17,241 common shares after the 18<sup>th</sup> month following the Execution Date of the Agreement (issued 17,241 common shares at a fair value of \$9,483);
- Cash payment of US\$5,000 or issuance of 17,241 common shares after the 2<sup>nd</sup> anniversary of the Execution Date of the Agreement (extended to August 4, 2023 per amendment);
- Cash payment of US\$150,000 or issuance of 51,724 common shares after the 3<sup>rd</sup> anniversary of the Execution Date of the Agreement;



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#### **5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

Share payments:

- Issuance of 150,000 common shares after the Effective Date of the Agreement (issued at a fair value of \$60,750);
- Issuance of 150,000 common shares after the 6th month following the Effective Date of the Agreement (issued at a fair value of \$69,000);
- Issuance of 200,000 common shares after the 1<sup>st</sup> anniversary of the Execution Date of the Agreement (issued at a fair value of \$70,000);
- Issuance of 200,000 common shares after the 2<sup>nd</sup> anniversary of the Execution Date of the Agreement (extended to August 4, 2023 per amendment); and
- Issuance of 300,000 common shares after the 3<sup>rd</sup> anniversary of the Execution Date of the Agreement.

In the event that the payments outlined are not paid, Spirit has agreed that no finder's fee shall be payable thereon by the Company.

On March 2, 2021, the Company entered into an option agreement with Minerale De Tarachi S de RL De CV to earn a 100% interest in the Benjamin Hill mineral concession in Sonora, Mexico.

The Option may be exercised by making six cash payments, totaling US\$3,400,000 within five years of the execution of the Agreement (the "Execution Date" or March 2, 2021) as follows:

Cash payments:

- Cash payment of US\$20,000 plus value added tax (VAT) 30 days after the date of execution of the agreement (paid at the Canadian equivalent of \$27,242);
- Cash payment of US\$30,000 plus VAT on the 1<sup>st</sup> anniversary of the execution date (paid at the Canadian equivalent of \$44,926);
- Cash payment of US\$50,000 plus VAT on the 2<sup>nd</sup> anniversary of the execution date;
- Cash payment of US\$50,000 plus VAT on the 3<sup>rd</sup> anniversary of the execution date;
- Cash payment of US\$75,000 plus VAT on the 4<sup>th</sup> anniversary of the execution date; and
- Cash payment of US\$3,175,000 plus VAT on the 5<sup>th</sup> anniversary of the execution date.

Share payments:

- Issuance of 1,000,000 common shares on the effective date of the Agreement, which shall be two business days following the date of filing of the Agreement with the CSE (issued at a fair value of \$450,000);
- Issuance of 1,000,000 common shares on the 1<sup>st</sup> anniversary of the Execution Date (issued at a fair value of \$590,000).

The Optionor retains a 3% net smelter royalty pursuant to the agreement, of which 1% may be purchased by the Company for US\$1,000,000, reducing the Optionor's interest to 2%.

In connection with the agreement, the Company has entered into a finder's fee agreement with Spirit in consideration for services in introducing the Company to the Optionor, pursuant to which Spirit shall receive consideration paid half in cash and half in shares at the rate of 8% of the cash under the option agreement during the term of the agreement. In the event that the payments stipulated in the agreements are not paid, Spirit has agreed that no finder's fee shall be payable thereon by the Company.

During the year ended August 31, 2022, the Company issued 1,906 common shares at a fair value of \$1,048 and 2,859 common shares at a fair value of \$1,687 in relation to the finder's fee agreement with Spirit.

## **BENJAMIN HILL MINING CORP.**

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#### **6. LOANS PAYABLE**

During the year ended August 31, 2021, the Company received a loan from a third party for \$250,000. The loan is interest bearing at 6% per annum, due on demand and has no specific terms of repayment. During the year ended August 31, 2022, the Company accrued \$12,329 (2021 - \$6,781) of interest payable which was included in accounts payable and accrued liabilities. During the year ended August 31, 2022, the Company settled the full amount of \$250,000 and accrued interest of \$12,329 in a debt settlement agreement (Note 7).

During the year ended August 31, 2021, the Company received a loan from a third party for \$220,000 and during the year ended August 31, 2022 received a loan from the same third party for \$132,000. The loan is interest bearing at 6% per annum, due on demand and has no specific terms of repayment. During the year ended August 31, 2022, the Company accrued \$7,965 (2021 - \$1,362) of interest payable which was included in accounts payable and accrued liabilities. During the year ended August 31, 2022, the Company settled the full amount of \$352,000 and accrued interest of \$7,965 in a debt settlement agreement (Note 7).

During the year ended August 31, 2021, the Company issued a promissory note to a third party for US \$162,400 (CDN \$205,676). The loan was interest bearing at 6% per annum, unsecured, due on demand and has no specific terms of repayment. During the year ended August 31, 2022, the Company accrued US \$11,202 (CDN \$14,282) (2021 - US \$3,337 (CDN \$4,208)) of interest payable which was included in accounts payable and accrued liabilities. During the year ended August 31, 2022, the Company settled the full amount of \$222,901 in a debt settlement agreement (Note 7).

During the year ended August 31, 2021, the Company received a loan from a third party for \$409,948. The loan does not bear interest, is due on demand and has no specific terms of repayment. During the year ended August 31, 2022, the Company settled the full amount of \$409,948 in a debt settlement agreement (Note 7).

During the year ended August 31, 2022, the Company received a loan from a third party for US \$116,000 (CDN \$142,360). The loan does not bear interest, is due on demand and has no specific terms of repayment. During the year ended August 31, 2022, the Company settled the full amount in a debt settlement agreement (Note 7).

During the year ended August 31, 2022, the Company received a loan from a third party for \$22,000. The loan does not bear interest, is due on demand and has no specific terms of repayment. During the year ended August 31, 2022, the Company settled the full amount in a debt settlement agreement (Note 7).

#### **7. CAPITAL STOCK**

Authorized – unlimited common and preferred shares without par value

Issued and outstanding:

Share capital transactions during the year ended August 31, 2022 were as follows:

- Issued 104,000 common shares from the exercise of stock options at \$0.25 per option for gross proceeds of \$26,000. A value of \$24,529 was transferred from reserves on exercise.
- Entered into debt settlement agreements to settle a total of \$1,404,209 in debt for the issuance of 4,012,024 units of the Company. Each unit consists of one common share and one-half of one common share purchase warrant, with each whole warrant being exercisable at \$0.50 per common share for a period of two years. The fair value of common shares and warrants were \$1,604,810 and \$556,233 respectively, resulting in a loss on debt settlement of \$706,589. The fair value of warrants was calculated using the Black-Scholes Option Pricing Model using the following assumptions: Risk-free interest rate of 0.98%, expected life of 2 years, Nil dividend yield and a volatility of 153.49%.
- Closed a private placement consisting of 6,034,989 units at a price of \$0.35 per unit for proceeds of \$2,112,246. Each unit consists of one common share and one-half share purchase warrant. Each warrant entitles the holder to purchase an additional share at a price of \$0.50 per share for two years. Cash finder's fees were paid of \$55,020 and finder's warrants of 157,200 were issued under the same terms with a fair value of \$44,189.

## BENJAMIN HILL MINING CORP.

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#### 7. CAPITAL STOCK (CONTINUED)

- 4,230,770 warrants and broker's warrants were exercised for proceeds of \$634,616. A value of \$105,769 was transferred from reserves on exercise.
- 5,000,000 shares were issued at a fair value of \$1,510,000 for an exploration and evaluation asset (Note 5).
- 200,000 shares were issued at a fair value of \$70,000 as a finder's fee for an exploration and evaluation asset (Note 5).
- 56,488 shares were issued at a fair value of \$31,183 as finder's fees for an exploration and evaluation asset (Note 5).

Share capital transactions during the year ended August 31, 2021 were as follows:

- 2,739,073 warrants and broker's warrants were exercised for proceeds of \$410,861. A value of \$68,477 was transferred from reserves on exercise.
- 2,500,000 shares were issued at a fair value of \$1,140,000 for an exploration and evaluation asset (Note 5).
- 150,000 shares were issued at a fair value of \$69,000 as a finder's fee for an exploration and evaluation asset (Note 5).
- 340,000 stock options were exercised for proceeds of \$85,000. A value of \$80,192 was transferred from reserves on exercise.

#### Stock options

The Company's plan allows the directors to grant stock options to directors, officers, employees and consultants to purchase up to a total of 10% of the issued and outstanding common shares. No stock option granted under the plan is transferable by the optionee other than by will or the laws of descent and distribution, and each stock option is exercisable during the lifetime of the optionee only by such optionee.

A summary of the Company's outstanding share purchase options as at August 31, 2022 and the changes during the years ended August 31, 2021 and 2022 are presented below:

	Number of Options	Weighted Average Exercise Price
Balance – August 31, 2020	888,210	\$ 0.25
Granted	2,700,000	0.59
Exercised	(340,000)	0.25
Balance – August 31, 2021	3,248,210	0.53
Granted	2,255,000	0.45
Exercised	(104,000)	0.25
Expired/cancelled	(100,000)	0.43
Balance – August 31, 2022	5,299,210	\$ 0.50

Number of Options	Exercise Price (\$)	Expiry Date	Number of options exercisable
500,000	0.44	February 21, 2024	500,000
300,000	0.50	April 14, 2025	75,000
444,210	0.25	July 22, 2025	444,210
2,700,000	0.59	February 25, 2026	2,700,000
375,000	0.43	October 25, 2026	375,000
980,000	0.44	February 21, 2027	980,000
5,299,210			5,074,210

## BENJAMIN HILL MINING CORP.

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#### 7. CAPITAL STOCK (CONTINUED)

The weighted average share price on date of exercise of stock options during the year ended August 31, 2022 was \$0.41 (2021 - \$0.40)

The weighted average life of outstanding stock options during the year ended August 31, 2022 was 3.43 years (2021 – 4.39 years).

#### Stock based compensation

During the year ended August 31, 2022, the Company granted 2,255,000 stock options (2021 – 2,700,000) at a weighted average exercise price of \$0.45 per share (2021 – \$0.59 per share). The total stock-based compensation recognized on stock options granted during the year ended August 31, 2022 was \$765,506 (2021 - \$904,096).

The weighted average fair value of each stock option granted during the year ended August 31, 2022 was \$0.36 (2021 - \$0.33), calculated using the Black-Scholes Option Pricing Model on the grant date using the following weighted average assumptions:

	Year ended <u>August 31, 2022</u>	Year ended <u>August 31, 2021</u>
Risk-free interest rate	1.69%	0.93%
Expected life of option	4.07 years	2.5 years
Expected dividend yield	0%	0%
Expected stock price volatility	134.70%	110.54%

#### Share purchase warrants

A summary of the Company's outstanding share purchase warrants as at August 31, 2022 and the changes during the years ended August 31, 2021 and 2022 are presented below:

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
Outstanding – August 31, 2020	7,221,866	\$ 0.15
Exercised	(2,739,073)	0.15
Expired	(8,250)	0.15
Outstanding – August 31, 2021	4,474,543	0.15
Issued	5,180,707	0.50
Exercised	(4,230,770)	0.15
Outstanding – August 31, 2022	5,424,480	\$ 0.48

<b>Number of Warrants</b>	<b>Exercise Price (\$)</b>	<b>Expiry Date</b>
243,773	0.15	December 4, 2022
2,006,012	0.50	December 23, 2023
3,174,695	0.50	January 27, 2024
5,424,480		

The weighted average life of outstanding warrants during the year ended August 31, 2022 was 1.32 years (2021 – 0.26 years).

Subsequent to August 31, 2022, 243,773 warrants with an exercise price of \$0.15 expired unexercised.

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#### **7. CAPITAL STOCK (CONTINUED)**

During the year ended August 31, 2022, the Company issued 157,200 broker's warrants (2021 – nil) at an exercise price of \$0.50 per share (2021 – \$nil per share). The fair value of the warrants was \$44,189, calculated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	Year ended <u>August 31, 2022</u>	Year ended <u>August 31, 2021</u>
Risk-free interest rate	1.27%	-
Expected life of warrants	2 years	-
Expected dividend yield	0%	-
Expected stock price volatility	150%	-

#### **Reserves**

Reserves relate to share-based payment reserve, which represent the fair value of stock options or warrants until such time that the share-based instruments are exercised, at which time the corresponding amount will be transferred to share capital.

#### **8. RELATED PARTY TRANSACTIONS**

During the year ended August 31, 2022, the Company incurred \$84,000 (2021 - \$42,000) in consulting fees from a company controlled by a director of the Company. As at August 31, 2022, \$7,350 (2021 - \$10,970) was owing to this company.

During the year ended August 31, 2022, the Company incurred \$60,000 (2021 - \$60,000) in consulting fees from a company controlled by a director of the Company. As at August 31, 2022, \$10,500 (2021 - \$5,250) was owing to this company.

During the year ended August 31, 2022, the Company incurred \$Nil (2021 - \$38,500) in consulting fees from a company controlled by a former director of the Company.

During the year ended August 31, 2022, the Company incurred \$Nil (2021 - \$3,500) in rent to a company controlled by a former director of the Company.

During the year ended August 31, 2022, the Company granted stock options to key management valued at \$356,508 (2021 - \$719,928).

During the year ended August 31, 2021, the Company recorded an allowance of \$275,589 on amounts owing from a former director and \$55,204 on amounts owing from a company with former common directors.

#### **9. MANAGEMENT OF CAPITAL**

The Company defines its capital as all components of shareholders' equity. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern.

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

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

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### **10. FINANCIAL INSTRUMENTS AND RISKS**

#### *Fair Value*

The Company's financial instruments consist of cash, amounts receivable, accounts payable, loans payable and due to related parties. The fair value of all financial instruments approximate their carrying values. Cash is classified as fair value through profit and loss and amounts receivable is classified at amortized cost. Accounts payable, due to related parties and loans payable are classified as amortized cost.

The Company's financial instrument is exposed to a number of risks that are summarized below:

#### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due or can do so only at excessive cost. The Company is exposed to the risk that it may not have sufficient liquid assets to meet its commitments associated with these financial liabilities.

The Company's approach to managing liquidity is to ensure that it will always have sufficient cash to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity transactions. The Company manages its liquidity risk by continuously monitoring cash flow requirements relating to its anticipated exploration and evaluation activities as well as general overhead requirements. Liquidity risk is assessed as high.

#### *Credit Risk*

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash balances and amounts due from former director. The Company manages its credit risk on bank deposits by holding deposits in high credit quality banking institutions in Canada.

#### *Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company's cash is currently held in non-interest bearing bank account, management considers the interest rate risk to be minimal. The interest rates on loans payable are at fixed rates. The Company is not exposed to interest rate fluctuations.

#### *Commodity Price Risk*

The ability of the Company to finance the exploration and development of its properties and the future profitability of the Company is directly related to the market price of the primary minerals identified in its mineral properties. Mineral prices fluctuate on a daily basis and are affected by a number of factors beyond the Company's control. A sustained, significant decline in the prices of the primary minerals or in the share prices of junior mineral exploration companies in general, could have a negative impact on the Company's ability to raise additional capital. Sensitivity to commodity price risk is remote since the Company has not established any reserves or production.

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**10. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)***Foreign Exchange Risk*

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The Company's Mexican subsidiary is exposed to currency risk as it incurs expenditures that are denominated in Mexican Pesos and United States Dollars while its functional currency is the Canadian Dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates. The following is an analysis of Canadian dollar equivalent of financial assets and liabilities that are denominated in United States Dollars and Mexican pesos:

	August 31, 2022	August 31, 2021
Cash	\$ 3,525	\$ 20,919
Accounts payable	(773,108)	(351,571)
	(769,583)	(330,652)

**11. SEGMENTED INFORMATION**

The Company operates in one reportable operating segment, being the acquisition, exploration and development of exploration and evaluation assets.

The location of the Company's exploration and evaluation assets are disclosed in note 5.

**12. INCOME TAX**

A reconciliation of the expected income recovery to the actual income tax recovery is as follows:

	Year ended August 31, 2022	Year ended August 31, 2021
Loss for the year	\$ (2,163,859)	\$ (2,488,995)
Statutory tax rate	27%	27%
Expected income tax recovery	(587,783)	(675,304)
Other	382,610	531,735
Change in valuation allowance and other	205,173	143,569
<b>Deferred income tax recovery</b>	<b>\$ -</b>	<b>\$ -</b>

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	August 31, 2022	August 31, 2021
Loss carry-forwards	\$ 2,602,284	\$ 1,872,613
Share issuance costs	44,016	26,903
	<b>\$ 2,646,300</b>	<b>\$ 1,899,516</b>

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**12. INCOME TAX (CONTINUED)**

The tax pools relating to these deductible temporary differences expire as follows:

	<b>Loss carry- forwards</b>
2034	\$ 6
2035	129,179
2036	135,618
2037	135,302
2038	237,770
2039	322,189
2040	366,440
2041	546,110
2042	729,671
	<u>\$ 2,602,284</u>