

# **BENJAMIN HILL MINING CORP.**

## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the nine months ended May 31, 2023 and 2022

(Expressed in Canadian dollars)

(Unaudited – Prepared by Management)

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

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**BENJAMIN HILL MINING CORP.**  
Condensed Consolidated Interim Statements of Financial Position  
Unaudited – Prepared by Management  
(Expressed in Canadian dollars)

	Note	May 31, 2023	August 31, 2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 12,213	\$ 153,596
Sales tax receivable		6,603	20,201
Prepays and advances		<u>18,693</u>	<u>16,353</u>
<b>Total current assets</b>		<u>37,509</u>	<u>190,150</u>
<b>Non-current assets</b>			
Exploration and evaluation assets	5	<u>25,000</u>	<u>7,479,171</u>
<b>Total non-current assets</b>		<u>25,000</u>	<u>7,479,171</u>
<b>TOTAL ASSETS</b>		<u>\$ 62,509</u>	<u>\$ 7,669,321</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 1,133,374	\$ 829,920
Due to related parties	7	<u>39,790</u>	<u>17,850</u>
<b>Total current liabilities</b>		<u>1,173,164</u>	<u>847,770</u>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Capital stock	6	12,174,514	12,174,514
Reserves	6	2,381,066	2,381,066
Deficit		<u>(15,666,235)</u>	<u>(7,734,029)</u>
<b>TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		<u>(1,110,655)</u>	<u>6,821,551</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		<u>\$ 62,509</u>	<u>\$ 7,669,321</u>

**Nature and continuance of operations** (Note 1)

**Subsequent events** (Note 11)

"Cole McClay"

Director

"Greg Bronson"

Director

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

**BENJAMIN HILL MINING CORP.**

## Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

Unaudited - Prepared by Management

(Expressed in Canadian dollars)

	Note	Three months ended May 31, 2023	Three months ended May 31, 2022	Nine months ended May 31, 2023	Nine months ended May 31, 2022
<b>EXPENSES</b>					
Consulting	7	\$ 21,000	\$ 53,578	\$ 63,000	\$ 125,578
Foreign exchange		(11,633)	26,217	198,464	50,188
Interest expense		-	-	-	22,225
Office and administration		728	31,809	5,096	68,969
Professional fees		8,881	16,167	55,520	46,418
Rent		9,000	9,000	27,000	18,000
Stock-based compensation	6,7	-	35,632	-	778,960
Transfer agent and filing fees		9,359	22,364	31,026	35,121
Write-down of exploration and evaluation assets	5	22,368	-	7,552,100	-
<b>Loss and comprehensive loss for the period</b>		\$ (59,703)	\$ (194,767)	\$ (7,932,206)	\$ (1,145,459)
<b>Basic and diluted loss per share</b>		\$ (0.00)	\$ (0.00)	\$ (0.14)	\$ (0.02)
<b>Weighted average number of shares outstanding - basic and diluted</b>		58,198,437	56,154,834	58,198,437	48,101,968

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

**BENJAMIN HILL MINING CORP.**

## Condensed Consolidated Interim Statements of Cash Flows

Unaudited – Prepared by Management

(Expressed in Canadian dollars)

	<b>Nine months ended May 31, 2023</b>	<b>Nine months ended May 31, 2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (7,932,206)	\$ (1,145,459)
Item not involving cash:		
Stock-based compensation	-	778,960
Write-down of exploration and evaluation assets	7,552,100	-
Changes in non-cash working capital:		
Sales tax receivable	13,598	(7,070)
Prepays and advances	(2,340)	(79,070)
Accounts payable and accrued liabilities	303,454	(454,646)
Due to/from related parties	21,940	3,287
Net cash used in operating activities	(43,454)	(903,998)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation assets	(97,929)	(1,759,394)
Net cash used in investing activities	(97,929)	(1,759,394)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Private placement	-	2,112,246
Share issuance costs	-	(55,020)
Proceeds from loans payable	-	278,291
Exercise of warrants	-	634,616
Exercise of stock options	-	26,000
Net cash provided by financing activities	-	2,996,133
Change in cash	(141,383)	332,741
Cash, beginning	153,596	46,355
Cash, end	\$ 12,213	\$ 379,096

There were no non-cash investing and financing activities during the period ended May 31, 2023.

Non-cash investing and financing activities during the period ended May 31, 2022:

- 3,256,488 shares were issued at a fair value of \$1,468,183 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 \$19,161 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 to settle debt of \$1,404,209.

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

**BENJAMIN HILL MINING CORP.**

## Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

Unaudited – Prepared by Management

(Expressed in Canadian dollars)

	Number of Shares	Capital Stock	Reserves	Deficit	Total
<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	-	19,161	(19,161)	-	-
Shares issued for exploration and evaluation assets	3,256,488	1,468,183	-	-	1,468,183
Shares issued for debt settlement	4,012,024	1,404,209	-	-	1,404,209
Stock-based compensation	-	-	778,960	-	778,960
Loss for the period	-	-	-	(1,145,459)	(1,145,459)
<b>Balance as at May 31, 2022</b>	56,198,437	\$ 11,825,545	\$ 1,843,655	\$ (6,715,629)	\$ 6,953,571
<b>Balance as at August 31, 2022</b>	58,198,437	\$ 12,174,514	\$ 2,381,066	\$ (7,734,029)	\$ 6,821,551
Loss for the period	-	-	-	(7,932,206)	(7,932,206)
<b>Balance as at May 31, 2023</b>	58,198,437	\$ 12,174,514	\$ 2,381,066	\$ (15,666,235)	\$ (1,110,655)

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

## **BENJAMIN HILL MINING CORP.**

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended May 31, 2023 and 2022

Unaudited – Prepared by Management

(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 condensed consolidated interim 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 May 31, 2023 the Company has not generated any revenues from operations, has a working capital deficiency of \$1,135,655 and accumulated deficit of \$15,666,235.

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 condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim financial statements were authorized for issue on July 21, 2023 by the directors of the Company.

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

These condensed consolidated interim financial statements have been prepared using accounting policies in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting using the principles of International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”), Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These condensed consolidated interim 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 Condensed Consolidated Interim Financial Statements

For the Nine Months Ended May 31, 2023 and 2022

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(Expressed in Canadian Dollars)

### 2. BASIS OF PREPARATION (CONTINUED)

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

The condensed consolidated interim 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 condensed consolidated interim 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.

In preparing these condensed consolidated interim financial statements, significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended August 31, 2022.

### 4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company as at and for the year ended August 31, 2022.

### 5. EXPLORATION AND EVALUATION ASSETS

	Sonora Gold Property, Mexico	Alotta Property, Yukon	Total
<b>Balance – August 31, 2021</b>	\$ 3,270,166	\$ -	\$ 3,270,166
<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
<b>Acquisition costs:</b>	-	25,000	25,000
<b>Exploration costs:</b>			
Office, miscellaneous and travel	5,825	-	5,825
Rent	67,104	-	67,104
	72,929	-	72,929
Write-down of exploration and evaluation assets	(7,552,100)	-	(7,552,100)
<b>Balance – May 31, 2023</b>	\$ -	\$ 25,000	\$ 25,000



## **BENJAMIN HILL MINING CORP.**

Notes to the Condensed Consolidated Interim Financial Statements

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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 Minerales 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;

## **BENJAMIN HILL MINING CORP.**

Notes to the Condensed Consolidated Interim Financial Statements

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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 Minerales 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.

During the period ended May 31, 2023, the Company terminated the option agreements on the Sonora copper and Sonora gold properties and accordingly wrote-down \$7,552,100 of exploration and evaluation assets.

## **BENJAMIN HILL MINING CORP.**

Notes to the Condensed Consolidated Interim Financial Statements

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Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

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

#### **Alotta Property, Yukon, Canada**

During the period ended May 31, 2023, the Company entered into an option agreement (the “Agreement”) with Strategic Metals Ltd. for an option right to earn an undivided 60% joint venture interest in the Alotta project located in the Whitehorse mining district, Yukon.

The option may be exercised by making cash payments totalling \$500,000 within five years of the execution of the agreement as follows:

- (i) \$25,000 upon execution of this agreement by all parties (paid);
- (ii) \$25,000 on or before July 1, 2023 (paid subsequent to May 31, 2023);
- (iii) \$50,000 on or before January 17, 2024;
- (iv) \$100,000 on or before January 17, 2025;
- (v) \$100,000 on or before January 17, 2026;
- (vi) \$100,000 on or before January 17, 2027; and
- (vii) \$100,000 on or before January 17, 2028.

The Company must also incur aggregate expenditures of \$11,000,000 over five years, as follows:

- (i) \$500,000 on or before December 31, 2023;
- (ii) \$1,500,000 on or before December 31, 2024;
- (iii) \$2,500,000 on or before December 31, 2025;
- (iv) \$3,000,000 on or before December 31, 2026; and
- (v) \$3,500,000 on or before December 31, 2027.

In connection with the agreement, the Company has entered into a finder's fee agreement with a third party for up to 300,000 common shares of the Company, in installment amounts due concurrent with cash payments payable under the option agreement during the first three years of the term of the agreement.

## **BENJAMIN HILL MINING CORP.**

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### **6. CAPITAL STOCK**

Authorized – unlimited common and preferred shares without par value

Issued and outstanding:

There were no share capital transactions during the period ended May 31, 2023.

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.
- 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).

#### **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 May 31, 2023 and the changes during the period are presented below:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price (\$)</b>
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 and May 31, 2023	5,299,210	0.50

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**6. CAPITAL STOCK (CONTINUED)**

<b>Number of Options</b>	<b>Exercise Price (\$)</b>	<b>Expiry Date</b>	<b>Number of options exercisable</b>
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

The weighted average life of outstanding stock options during the period ended May 31, 2023 was 2.68 years (year ended August 31, 2022 - 3.43 years).

**Stock based compensation**

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

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

	<u>Period ended</u> <u>May 31, 2023</u>	<u>Year ended</u> <u>August 31, 2022</u>
Risk-free interest rate	-	1.69%
Expected life of option	-	4.07 years
Expected dividend yield	-	0%
Expected stock price volatility	-	134.70%

**Share purchase warrants**

A summary of the Company's outstanding share purchase warrants as at May 31, 2023 and the changes during the period are presented below:

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price (\$)</b>
Outstanding – August 31, 2021	4,474,543	0.15
Issued	5,180,707	0.50
Expired	(4,230,770)	0.15
Outstanding – August 31, 2022 and May 31, 2023	5,424,480	0.48

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

<b>Number of Warrants</b>	<b>Exercise Price (\$)</b>	<b>Expiry Date</b>
2,006,012	0.50	December 23, 2023
3,174,695	0.50	January 27, 2024
5,180,707		

The weighted average life of outstanding warrants during the period ended May 31, 2023 was 0.62 years (year ended August 31, 2022 – 1.32 years).

During the year ended August 31, 2022, the Company issued 157,200 broker's warrants at an exercise price of \$0.50 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:

	<u>Period ended</u> <u>May 31, 2023</u>	<u>Year ended</u> <u>August 31, 2022</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.

### **7. RELATED PARTY TRANSACTIONS**

During the period ended May 31, 2023, the Company incurred \$63,000 (2022 - \$60,000) in consulting fees and \$nil (2022 - \$16,487) in expense reimbursements from a company controlled by a director of the Company. As at May 31, 2023, \$22,290 (August 31, 2022 - \$7,350) was owing to this company.

During the period ended May 31, 2023, the Company incurred \$nil (2022 - \$60,000) in consulting fees from a company controlled by a former director of the Company. As at May 31, 2023, \$10,500 (August 31, 2022 - \$10,500) was owing to this company.

During the period ended May 31, 2023, the Company incurred accounting fees of \$7,000 (2022 - \$nil) to a firm where an officer of the Company is a partner. As at May 31, 2023, \$7,000 (August 31, 2022 - \$nil) was owing to this firm.

During the period ended May 31, 2023, the Company granted stock options to key management valued at \$nil (year ended August 31, 2022 - \$356,508).

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### **8. 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 period.

### **9. 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.

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**9. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)***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.

*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:

	<b>May 31, 2023</b>	<b>August 31, 2022</b>
	(\$)	(\$)
Cash	12,213	153,596
Accounts payable	(1,133,374)	(829,920)
	<b>(1,121,161)</b>	<b>(676,324)</b>

**10. 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.

**11. SUBSEQUENT EVENTS**

Subsequent to May 31, 2023, the Company closed a private placement consisting of 3,349,999 units at a price of \$0.12 per unit for proceeds of \$402,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase an additional share at a price of \$0.20 per share for two years.