

**FORGE RESOURCES CORP.**  
**(FORMERLY BENJAMIN HILL MINING CORP.)**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended February 29, 2024 and February 28, 2023

(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.

**FORGE RESOURCES CORP. (FORMERLY BENJAMIN HILL MINING CORP.)**

## Condensed Consolidated Interim Statements of Financial Position

Unaudited – Prepared by Management

(Expressed in Canadian dollars)

	Note	February 29, 2024	August 31, 2023
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 84,898	\$ 34,546
Sales tax receivable		99,750	29,992
Prepays and advances		<u>6,202</u>	<u>13,596</u>
<b>Total current assets</b>		<u>190,850</u>	<u>78,134</u>
<b>Non-current assets</b>			
Exploration and evaluation assets	5	1,678,205	557,027
Investment in associate	6	<u>1,071,954</u>	<u>-</u>
<b>Total non-current assets</b>		<u>2,750,159</u>	<u>557,027</u>
<b>TOTAL ASSETS</b>		<u>\$ 2,941,009</u>	<u>\$ 635,161</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	8	\$ 396,735	\$ 1,286,059
Due to related parties	8	<u>141,552</u>	<u>83,715</u>
<b>Total current liabilities</b>		<u>538,287</u>	<u>1,369,774</u>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Capital stock	7	15,502,636	12,572,811
Shares subscribed	7	200,000	-
Obligation to issue shares	5,7,13	776,642	6,500
Reserves	7	3,141,464	2,418,074
Deficit		<u>(17,218,020)</u>	<u>(15,731,998)</u>
<b>TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		<u>2,402,722</u>	<u>(734,613)</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		<u>\$ 2,941,009</u>	<u>\$ 635,161</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 13)

*“Cole McClay”*

Director

*“Greg Bronson”*

Director

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

**FORGE RESOURCES CORP. (FORMERLY 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 February 29, 2024	Three months ended February 28, 2023	Six months ended February 29, 2024	Six months ended February 28, 2023
<b>EXPENSES</b>					
Consulting	8	\$ 38,691	\$ 6,000	\$ 74,691	\$ 42,000
Foreign exchange (gain)		22,838	188,803	3,210	210,097
Marketing		297,770	-	297,770	-
Office and administration (recovery)		(16,617)	2,635	17,645	4,368
Professional fees	8	53,800	34,542	70,637	46,639
Rent		9,000	9,000	18,000	18,000
Stock-based compensation	7,8	-	-	898,709	-
Transfer agent and filing fees		19,722	10,322	29,809	21,667
		(425,204)	(251,302)	(1,410,471)	(342,771)
<b>OTHER ITEMS</b>					
Loss on disposal of subsidiary	12	(3,714)	-	(3,714)	-
Loss on settlement of debt	13	(10,778)	-	(10,778)	-
Share of loss from associate	6	(61,059)	-	(61,059)	-
Write-down of exploration and evaluation assets	5	-	(7,529,732)	-	(7,529,732)
<b>Loss and comprehensive loss for the period</b>		\$ (500,755)	\$ (7,781,034)	\$ (1,486,022)	\$ (7,872,503)
<b>Basic and diluted loss per share</b>		\$ (0.01)	\$ (0.13)	\$ (0.03)	\$ (0.14)
<b>Weighted average number of shares outstanding - basic and diluted</b>		59,946,263	58,198,437	58,428,288	58,198,437

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

**FORGE RESOURCES CORP. (FORMERLY BENJAMIN HILL MINING CORP.)**

## Condensed Consolidated Interim Statements of Cash Flows

Unaudited – Prepared by Management

(Expressed in Canadian dollars)

	<b>Six months ended February 29, 2024</b>	<b>Six months ended February 28, 2023</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (1,486,022)	\$ (7,872,503)
Item not involving cash:		
Share of loss from associate	61,059	-
Stock-based compensation	898,709	-
Loss on settlement of debt	10,778	-
Loss on disposal of subsidiary	3,714	-
Write-down of exploration and evaluation assets	-	7,529,732
Changes in non-cash working capital:		
Sales tax receivable	(69,758)	15,117
Prepays and advances	7,394	13,321
Accounts payable and accrued liabilities	(126,307)	254,282
Due to/from related parties	57,837	7,240
Net cash used in operating activities	(642,596)	(52,811)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment in associate	(500,000)	-
Exploration and evaluation assets	(1,102,856)	(75,561)
Cost recoveries	30,025	-
Cash relinquished on disposal of subsidiary	(3,714)	-
Net cash used in investing activities	(1,576,545)	(75,561)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Private placement	830,000	-
Share issuance costs	(18,920)	-
Exercise of warrants	1,167,413	-
Exercise of stock options	91,000	-
Shares subscribed	200,000	-
Net cash provided by financing activities	2,269,493	-
Change in cash	50,352	(128,372)
Cash, beginning	34,546	153,596
Cash, end	\$ 84,898	\$ 25,224

Non-cash investing and financing activities during the period ended February 29, 2024:

- Issued 1,602,565 shares at a fair value of \$633,013 for an exploration and evaluation asset.
- Issued 100,000 shares at a fair value of \$52,000 for an exploration and evaluation asset of which \$6,500 was previously recorded as an obligation to issue shares.
- Issued 200,000 shares at a fair value of \$96,000 for finder's fees, recorded to stock-based compensation.
- Transferred a fair value of \$79,319 from reserves to share capital on the exercise of stock options.
- Included in exploration and evaluation assets are accounts payable of \$321,188.

There were no non-cash investing and financing activities during the period ended February 28, 2023.

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

**FORGE RESOURCES CORP. (FORMERLY BENJAMIN HILL MINING CORP.)**  
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)  
Unaudited – Prepared by Management  
(Expressed in Canadian dollars)

	Number of Shares	Capital Stock	Shares Subscribed	Obligation to Issue Shares	Reserves	Deficit	Total
<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	-	-	-	-	-	(7,872,503)	(7,872,503)
<b>Balance as at February 28, 2023</b>	58,198,437	\$ 12,174,514	\$ -	\$ -	\$ 2,381,066	\$ (15,606,532)	\$ (1,050,952)
<b>Balance as at August 31, 2023</b>	61,548,436	\$ 12,572,811	\$ -	\$ 6,500	\$ 2,418,074	\$ (15,731,998)	\$ (734,613)
Private placements	3,320,000	830,000	-	-	-	-	830,000
Share issuance for exploration and evaluation assets	1,602,565	633,013	-	-	-	-	633,013
Shares issued for finder's of exploration assets	100,000	52,000	-	(6,500)	-	-	45,500
Shares issued for finder's fees	200,000	96,000	-	-	-	-	96,000
Exercise of warrants	3,751,205	1,167,413	-	-	-	-	1,167,413
Exercise of stock options	350,000	170,319	-	-	(79,319)	-	91,000
Obligation to issue shares	-	-	-	776,642	-	-	776,642
Share issue costs	-	(18,920)	-	-	-	-	(18,920)
Shares subscribed	-	-	200,000	-	-	-	200,000
Stock-based compensation	-	-	-	-	802,709	-	802,709
Loss for the period	-	-	-	-	-	(1,486,022)	(1,486,022)
<b>Balance as at February 29, 2024</b>	70,872,206	\$ 15,502,636	\$ 200,000	\$ 776,642	\$ 3,141,464	\$ (17,218,020)	\$ 2,402,722

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

# **FORGE RESOURCES CORP. (FORMERLY BENJAMIN HILL MINING CORP.)**

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended February 29, 2024 and February 28, 2023

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

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

Forge Resources Corp. (Formerly 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 “FRG”, on the OTCQB under the symbol “FRGGF” and on the Frankfurt Stock Exchange (“FSE”) under the symbol “5YZ0”.

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

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 February 29, 2024, the Company has not generated any revenues from operations, has a working capital deficiency of \$347,437 and accumulated deficit of \$17,218,020.

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 April 29, 2024 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 formerly wholly owned subsidiary. The Company's former 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. The Company disposed of its subsidiary on February 19, 2024.

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

**FORGE RESOURCES CORP. (FORMERLY BENJAMIN HILL MINING CORP.)**

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended February 29, 2024 and February 28, 2023

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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, 2023.

**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, 2023.

**5. EXPLORATION AND EVALUATION ASSETS**

	<b>Sonora Gold Property, Mexico</b>	<b>Alotta Property, Yukon</b>	<b>Total</b>
<b>Balance – August 31, 2022</b>	\$ 7,479,171	\$ -	\$ 7,479,171
<b>Acquisition costs:</b>		56,500	56,500
<b>Exploration costs:</b>			
Drilling	7,259	391,325	398,584
Geology	13,060	109,202	122,262
Office, miscellaneous and travel	2,076	-	2,076
Rent	3,000	-	3,000
	<u>25,395</u>	<u>500,527</u>	<u>525,922</u>
Write-down of exploration and evaluation assets	(7,504,566)	-	(7,504,566)
<b>Balance – August 31, 2023</b>	-	557,027	557,027
<b>Acquisition costs:</b>	-	95,500	95,500
<b>Exploration costs:</b>			
Consulting fees	-	36,000	36,000
Drilling	-	1,015,836	1,015,836
Office, miscellaneous and travel	-	3,867	3,867
	-	<u>1,055,703</u>	<u>1,055,703</u>
Cost recoveries	-	(30,025)	(30,025)
<b>Balance – February 29, 2024</b>	\$ -	\$ 1,678,205	\$ 1,678,205



## **FORGE RESOURCES CORP. (FORMERLY BENJAMIN HILL MINING CORP.)**

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended February 29, 2024 and February 28, 2023

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(Expressed in Canadian Dollars)

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

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

During the year ended August 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 in aggregate of \$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);
- (iii) \$50,000 on or before January 17, 2024 (paid);
- (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 (incurred);
- (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 as detailed below (issued 50,000 common shares during the period ended February 29, 2024, which was due at August 31, 2023 and accrued at a fair value of \$6,500 as an obligation to issue shares, Note 13).

- (i) 25,000 upon execution of this agreement by all parties (issued);
- (ii) 25,000 on or before July 1, 2023 (issued);
- (iii) 50,000 on or before January 17, 2024 (issued);
- (iv) 100,000 on or before January 17, 2025;
- (v) 100,000 on or before January 17, 2026;

## FORGE RESOURCES CORP. (FORMERLY BENJAMIN HILL MINING CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

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### 6. INVESTMENT IN ASSOCIATE

In December 2023, the Company signed a definitive agreement with Aion Mining Corp. (“Aion”) to complete the Company's acquisition of a 20% interest in Aion. Pursuant to the agreement, the Company acquired common shares of Aion representing a 20% interest, calculated on a fully diluted basis. In consideration, the Company provided Aion with the following: \$500,000 in cash on closing (paid); and 1,602,565 common shares of the Company at a fair value of \$633,013 (issued). The Company was also issued a special warrant of Aion, exercisable into additional common shares of Aion, at no additional consideration to the Company, to allow the Company to maintain its 20% interest in Aion for a period of 6 months. Aion is a non-arm's length party to the Company by reason of sharing a common director, Cole McClay.

The Company has determined that it exercises significant influence over Aion and accounts for this investment using the equity method of accounting.

During the period ended February 29, 2024, the Company recorded its proportionate share of Aion's net loss of \$61,059 (2023 - \$Nil) on the condensed consolidated interim statements of loss and comprehensive loss.

The following table is a reconciliation of the carry value of the investment in Aion Mining:

Balance, August 31, 2023 and 2022	\$	-
Share consideration		633,013
Cash consideration		500,000
		<u>1,133,013</u>
Adjusted to carrying value:		
Proportionate share of net loss		(61,059)
Balance, February 29, 2024	\$	<u>1,071,954</u>

### 7. CAPITAL STOCK

Authorized – unlimited common and preferred shares without par value

Share capital transactions during the period ended February 29, 2024 were as follows:

- Issued 3,751,205 common shares from the exercise of warrants for proceeds of \$1,167,413.
- Issued 350,000 common shares from the exercise of stock options for proceeds of \$91,000 and transferred a fair value of \$79,319 from reserves to share capital in relation to the exercise.
- Closed a non-brokered private placement comprising of 2,480,000 flow-through units (“FT Unit”) at \$0.25 per FT Unit for proceeds of \$620,000 and 840,000 non-flow-through units (“NFT Unit”) at \$0.25 per NFT Unit for proceeds of \$210,000. Each FT Unit consists of one flow-through common share and one non-flow-through share purchase warrant (“NFT Warrant”). Each NFT Warrant entitles the holder to acquire an additional non-flow-through common share of the Company at a price of \$0.28 per share for a period of three years from the date of issuance. Each NFT Unit consists of one common share and one NFT Warrant which will enable the holder to purchase one common share of the Company at a price of \$0.28 per share for a period of three years from the date of issuance. The Company paid \$18,919 of cash share issuance costs in relation to the financing.
- Issued 100,000 common shares at a fair value of \$52,000 in connection with finder's fee agreement for the Company's Alotta property (Note 5) of which \$6,500 was recorded as an obligation to issue shares during the year ended August 31, 2023.
- Issued 200,000 common shares at a fair value of \$96,000 in connection with finder's fee agreement.
- Issued 1,602,565 shares at a fair value of \$633,013 for an exploration and evaluation asset.

## FORGE RESOURCES CORP. (FORMERLY BENJAMIN HILL MINING CORP.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended February 29, 2024 and February 28, 2023

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(Expressed in Canadian Dollars)

### 7. CAPITAL STOCK (CONTINUED)

Share capital transactions during the year ended August 31, 2023 were as follows:

- 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. Legal fees of \$3,703 were incurred as share issue costs. The CEO of the Company purchased 833,333 of the units for total proceeds of \$100,000.
- Recorded a fair value of \$6,500 as an obligation to issue shares 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 February 29, 2024 and the changes during the period are presented below:

	Number of Options	Weighted Average Exercise Price (\$)
Balance – August 31, 2022 and 2023	5,299,210	0.50
Granted	3,900,000	0.26
Cancelled/expired	(1,575,105)	0.53
Exercised	(350,000)	0.26
Balance – February 29, 2024	7,274,105	0.38

Number of Options outstanding	Exercise Price (\$)	Expiry Date	Number of options exercisable
25,000	0.50	April 14, 2025	25,000
444,105	0.25	July 22, 2025	444,105
1,300,000	0.26	November 1, 2025	1,300,000
1,900,000	0.59	February 25, 2026	1,900,000
375,000	0.43	October 25, 2026	375,000
980,000	0.44	February 21, 2027	980,000
2,250,000	0.26	November 1, 2028	2,250,000
7,274,105			7,274,105

The weighted average life of outstanding stock options as at February 29, 2024 was 2.89 years (August 31, 2023 - 2.43 years).

#### Stock-based compensation

During the period ended February 29, 2024, the Company granted 3,900,000 stock options at a weighted average exercise price of \$0.26 per share. The total stock-based compensation recognized on stock options granted during the period ended February 29, 2024 was \$802,709.

**FORGE RESOURCES CORP. (FORMERLY BENJAMIN HILL MINING CORP.)**

Notes to the Condensed Consolidated Interim Financial Statements

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**7. CAPITAL STOCK (CONTINUED)**

The weighted average fair value of each stock option granted during the period ended February 29, 2024 was \$0.21, calculated using the Black-Scholes Option Pricing Model on the grant date using the following weighted average assumptions:

	<b>Period ended February 29, 2024</b>	<b>Year ended August 31, 2023</b>
Risk-free interest rate	4.16%	-
Expected life of option	4.00 years	-
Expected dividend yield	0%	-
Expected stock price volatility	128.49%	-

**Share purchase warrants**

A summary of the Company's outstanding share purchase warrants as at February 29, 2024 and the changes during the period are presented below:

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price (\$)</b>
Outstanding – August 31, 2022	5,424,480	0.48
Issued	3,349,999	0.20
Expired	(243,773)	0.15
Outstanding – August 31, 2023	8,530,706	0.38
Issued	3,320,000	0.28
Expired	(3,906,135)	0.50
Exercised	(3,751,205)	0.31
Outstanding – February 29, 2024	4,193,366	0.26

<b>Number of Warrants</b>	<b>Exercise Price (\$)</b>	<b>Expiry Date</b>
1,308,366	0.20	July 14, 2025*
2,885,000	0.28	November 1, 2026**
4,193,366		

\*100,000 warrants exercised subsequent to the period ended February 29, 2024.

\*\*20,000 warrants exercised subsequent to the period ended February 29, 2024.

The weighted average life of outstanding warrants as at February 29, 2024 was 2.27 years (August 31, 2023 – 0.96 years).

**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.

## **FORGE RESOURCES CORP. (FORMERLY BENJAMIN HILL MINING CORP.)**

Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended February 29, 2024 and February 28, 2023

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

During the period ended February 29, 2024, the Company incurred \$42,000 (2023 - \$42,000) in consulting fees from a company controlled by a director of the Company. As at February 29, 2024, \$20,327 (August 31, 2023 - \$22,290) was owing to this company.

During the period ended February 29, 2024, the Company incurred professional fees of \$30,000 (2023 - \$7,000) to a firm where an officer of the Company is a partner. As at February 29, 2024, \$40,425 (August 31, 2023 - \$50,925) was owing to this firm.

As at February 29, 2024, \$10,500 (August 31, 2023 - \$10,500) was owing to a company controlled by a director of the Company.

During the period ended February 29, 2024, the Company incurred exploration and evaluation expenses of \$36,000 (2023 - \$Nil) from a company controlled by the president of the Company. As at February 29, 2024, \$70,300 (August 31, 2023 - \$36,000) was owing to this company.

During the period ended February 29, 2024, the Company granted stock options to key management valued at \$589,229 (February 28, 2023 - \$nil).

### **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 period.

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

#### *Fair Value*

The Company's financial instruments consist of cash, accounts 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. Accounts payable and due to related parties 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.

## **FORGE RESOURCES CORP. (FORMERLY BENJAMIN HILL MINING CORP.)**

Notes to the Condensed Consolidated Interim Financial Statements

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(Expressed in Canadian Dollars)

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### **10. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)**

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 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.

#### *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 former Mexican subsidiary was exposed to currency risk as it incurred expenditures that were 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.

### **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.

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### 12. DISCONTINUED OPERATIONS

During the period ended February 29, 2024, the Company disposed of its subsidiary, Benjamin Hill Mining Company SA de CV and derecognized the carrying values of the assets and liabilities.

The loss on the deconsolidation and de-recognition of the subsidiary is as follows:

Consideration received	\$ -
Carrying amount of net assets disposed	3,714
Loss on disposition	\$ (3,714)
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Net assets consists of:	
Cash	\$ 3,714

### 13. SUBSEQUENT EVENTS

Subsequent to the period ended February 29, 2024, the Company:

- Entered into a formal agreement with Aion Mining Corp. whereby the Company will acquire a further interest in Aion to bring the Company's total interest to 40%. Pursuant to the formal agreement, the Company will acquire common shares of Aion in order to bring the total ownership of the Company to 40% of the post-issuance common shares of Aion, calculated on a fully-diluted basis. In consideration, the Company will provide Aion with the previously announced aggregate amount of \$1,875,000: \$1,000,000 in cash on closing; and 1,508,621 common shares (issued subsequent to February 29, 2024) of the Company at a deemed price of \$0.58 per share, subject to CSE policies. The Company was also granted a right of first refusal for two-years, allowing it to purchase common shares in Aion to offset any further issuances by Aion of securities, to allow the Company the opportunity to maintain its 40% interest. Aion is a non-arm's length party to the Company by reason of sharing a common director, Cole McClay.
- Issued 1,159,167 common shares to settle \$776,642 of debt.
- Closed a private placement comprising 8,352,750 units \$0.64 per unit for proceeds of \$5,345,760. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire an additional common share of the Company at a price of \$0.80 per share for a period of three years from the date of issuance. Upon closing of the private placement, the Company paid to the agent a cash commission of 6% of the aggregate proceeds of the financing and issued 500,727 non-transferrable compensation warrants exercisable at \$0.64 for two years from the closing date. Each compensation warrant consists of one common share and one share purchase warrant of the Company. Each warrant entitles the holder to acquire an additional common share of the Company at a price of \$0.80 per share for a period of three years from the date of issuance of the compensation warrants.