MONGOOSE
MINING LTD

# CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEARS ENDED DECEMBER 31, 2023 AND DECEMBER 31, 2022

McGovern Hurley

*Audit. Tax. Advisory.*

## Independent Auditor's Report

To the Shareholders of Mongoose Mining Ltd.

### Opinion

We have audited the consolidated financial statements of Mongoose Mining Ltd. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### 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 consolidated 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 consolidated financial statements in Canada. 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 in the consolidated financial statements, which indicates that the Company incurred a net loss and had no source of operating cash inflows during the year ended December 31, 2023. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in Material uncertainty related to going concern section, we have determined that there were no additional key audit matters to communicate in our report.

### Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 consolidated financial statements

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

In preparing the consolidated 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 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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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

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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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 risks 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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

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relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner of the audit resulting in this independent auditor's report is Jessica Di Rito.

**McGovern Hurley LLP**

McGovern Hurley LLP

**Chartered Professional Accountants**
**Licensed Public Accountants**

Toronto, Ontario
March 27, 2024

# MONGOOSE MINING LTD.

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**AS AT DECEMBER 31, 2023 AND 2022**

| Expressed in Canadian Dollars | Notes | 2023 | 2022 |
|---|---|---|---|
| **Assets** | | $ | $ |
| | | | |
| **Current assets** | | | |
| Cash | | 61,841 | 85,207 |
| Amounts receivable | | 5,459 | 75,021 |
| Prepaid expenses | | 9,328 | 14,140 |
| Total current assets | | 76,628 | 174,368 |
| | | | |
| **Non-current assets** | | | |
| Exploration and evaluation assets | 4 | 1,476,394 | 1,433,972 |
| Prepaid expenses | | 5,000 | 5,000 |
| Total non-current assets | | 1,481,394 | 1,438,972 |
| **Total assets** | | 1,558,022 | 1,613,340 |
| | | | |
| **Liabilities** | | | |
| | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | 5 | 141,818 | 99,939 |
| Accounts payable due to related parties | 5/9 | 191,561 | 172,861 |
| Total current liabilities | | 333,379 | 272,800 |
| | | | |
| **Equity** | | | |
| Share capital | 6 | 2,448,563 | 2,448,563 |
| Warrants | 8 | - | 130,673 |
| Share-based payment reserve | 7 | 171,671 | 136,645 |
| Deficit | | (1,395,591) | (1,375,341) |
| **Total equity** | | 1,224,643 | 1,340,540 |
| **Total equity and liabilities** | | 1,558,022 | 1,613,340 |

Going concern (Note 1)
Commitments and contingencies (Notes 4 and 14)

Approved by the Board of Directors on March 27, 2024 and signed on its behalf by:

| | |
|---|---|
| */S/ "Matthew Allas"* | */S/ "Terence Coughlan"* |
| Director | Director |

*See accompanying notes to the consolidated financial statements*

# MONGOOSE MINING LTD.

**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

| Expressed in Canadian Dollars | Notes | 2023 | 2022 |
|---|---|---|---|
| | | $ | $ |
| General and administrative expenses: | | | |
| Management compensation | **9/10** | (9,000) | (50,000) |
| Share-based compensation | **7/10** | (35,026) | (75,595) |
| Legal | | (13,546) | (46,370) |
| Audit | | (26,000) | (44,968) |
| Corporate administration | | (41,872) | (31,545) |
| Corporate development | | - | (42,791) |
| Shareholder administration | | (25,479) | (32,806) |
| (Loss) before other items | | (150,923) | (324,075) |
| | | | |
| Other items: | | | |
| Flow-through share premium liability reversal | | - | 143,339 |
| Interest income | | - | 3,323 |
| Total other items | | - | 146,662 |
| | | | |
| Total (loss) and comprehensive (loss) for the year | | (150,923) | (177,413) |
| | | | |
| **(Loss) per share** | | | |
| Basic and diluted (loss) per share | | (0.005) | (0.006) |
| **Weighted average number of common shares outstanding** | | | |
| Basic and diluted | | 32,150,295 | 32,128,377 |

*See accompanying notes to the consolidated financial statements*

# MONGOOSE MINING LTD.

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

| Expressed in Canadian Dollars | Number of Shares | Share Capital | Warrants | Share-based Payment Reserve | Deficit | Total |
|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ |
| Balance as at December 31, 2021 | 31,950,295 | 2,408,563 | 130,673 | 61,050 | (1,197,928) | 1,402,358 |
| Shares issued to acquire property | 200,000 | 40,000 | - | - | - | 40,000 |
| Share-based compensation | - | - | - | 75,595 | - | 75,595 |
| Net (loss) for the year | - | - | - | - | (177,413) | (177,413) |
| Balance as at December 31, 2022 | 32,150,295 | 2,448,563 | 130,673 | 136,645 | (1,375,341) | 1,340,540 |
| Share-based compensation | - | - | - | 35,026 | - | 35,026 |
| Warrants expired unexercised | - | - | (130,673) | - | 130,673 | - |
| Net (loss) for the year | - | - | - | - | (150,923) | (150,923) |
| Balance as at December 31, 2023 | 32,150,295 | 2,448,563 | - | 171,671 | (1,395,591) | 1,224,643 |

*See accompanying notes to the consolidated financial statements.*

# MONGOOSE MINING LTD.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

| Expressed in Canadian Dollars | Notes | 2023<br>$ | 2022<br>$ |
|---|---|---|---|
| **Cash flows (used in) operating activities** | | | |
| (Loss) for the year | | (150,923) | (177,413) |
| Share-based compensation | 7 | 35,026 | 75,595 |
| Flow-through share premium liability reversal | | - | (143,339) |
| | | (115,897) | (245,157) |
| **Movements in working capital** | | | |
| Decrease (increase) in amounts receivable | | 69,562 | (39,930) |
| Decrease in prepaids | | 4,813 | 3,755 |
| Increase (decrease) in accounts payable and accrued liabilities | | 41,878 | (78,859) |
| Increase in accounts payable due to related parties | | 18,700 | 105,871 |
| Net cash (used in) operating activities | | 19,056 | (254,320) |
| **Cash flows (used in) investing activities** | | | |
| Exploration and evaluation expenditures | 4 | (125,022) | (817,267) |
| Exploration grants received | 4 | 82,600 | 33,000 |
| Prepaid exploration expenditures | | - | (5,000) |
| Net cash (used in) investing activities | | (42,422) | (789,267) |
| Net (decrease) in cash | | (23,366) | (1,043,587) |
| Cash at the beginning of the year | | 85,207 | 1,128,794 |
| Cash at the end of the year | | 61,841 | 85,207 |
| **Supplemental information:** | | $ | $ |
| 200,000 shares issued to acquire Mt. Thom property | 4/6 | - | 40,000 |

*See accompanying notes to the consolidated financial statements*

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Mongoose Mining Ltd. ("Mongoose" or the "Company") was incorporated on January 16, 2019 under the laws of British Columbia. Effective August 12, 2022, the Company's corporate jurisdiction was continued to Ontario under the Business Corporations Act (Ontario). On November 28, 2019, Mongoose completed its Initial Public Offering (the "IPO") and its common shares commenced trading on the Canadian Securities Exchange (the "CSE") under the symbol "MNG". On November 10, 2021, Mongoose completed a reverse takeover transaction (the "RTO"), pursuant to which it acquired all of the issued and outstanding common shares of the privately held Spark Minerals Inc. ("Spark"). Spark was incorporated under the Nova Scotia Business Registrations Act on August 22, 2017. Mongoose and Spark completed the RTO pursuant to a share exchange agreement dated March 17, 2021 (the "Share Exchange Agreement") and the resulting reporting issuer (the "Company") continued as Mongoose Mining Ltd.

The Company's registered business address is 55 University Ave., Suite 1805, Toronto, Ontario, M5J 2H7.

The Company's principal business activities include the acquisition and exploration of mineral exploration and evaluation assets. As of December 31, 2023, the Company had not yet determined whether the Company's mineral exploration and evaluation assets contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluations assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of properties.

In addition to ongoing working capital requirements, the Company must secure sufficient funding to continue its exploration and development programs. Management is periodically seeking additional financing through the issuance of new equity instruments to continue its operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Without new funding, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these consolidated financial statements.

Although the Company has taken steps to verify title to its exploration and evaluation properties, in accordance with industry standards for the current stage of exploration of such property, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and noncompliance with regulatory and, environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has assessed its ability to continue as a going concern and as set out below there is material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

During the year ended December 31, 2023, the Company had continuing losses and had no source of operating cash inflows. Operations have been funded from the issuance of share capital. Given its current stage of operations, the Company's ability to continue as a going concern is contingent on its ability to obtain additional financing. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. In the event the Company is unable to raise adequate financing or meet its current obligations, the carrying value of the Company's unproven exploration and evaluation property could be subject to material adjustments. These consolidated financial statements do not reflect the adjustments to carrying values of assets and liabilities that would be necessary if the going concern assumption were inappropriate.

## 2. BASIS OF PREPARATION

*a) STATEMENT OF COMPLIANCE*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards as issued by the IFRS International Accounting Standards Board (''IASB'') and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

*b) BASIS OF PRESENTATION*

These consolidated financial statements have been prepared based upon the historical cost basis, with the exception of certain financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except cash flow information.

*c) FUNCTIONAL AND PRESENTATION CURRENCY*

These financial statements are presented in Canadian Dollars, which is the functional currency of the Company and its subsidiary.

*d) USE OF ESTIMATES AND JUDGEMENTS*

The preparation of the financial statements requires the Company's management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of expenses during the reporting period. Judgement is used mainly in determining whether a balance or transaction should be recognized in the financial statements. Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. However, judgements and estimates are often interrelated. Actual results may differ from these estimates.

## 3. SIGNIFICANT ACCOUNTING POLICIES

*a) BASIS OF CONSOLIDATION*

These consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of loss and comprehensive loss from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Company. All material intra-Company transactions, balances, income and expenses are eliminated on consolidation.

*b) CASH*

Cash in the statement of financial position is comprised of cash on account at a Canadian bank.

*c) EXPLORATION AND EVALUATION ASSETS*

All direct costs related to the acquisition and exploration of resource property interests are capitalized. Exploration and evaluation assets include expenditures on acquisition of rights to explore, studies, exploratory drilling, trenching, sampling, and other direct costs related to the exploration or evaluation of a mineral property. Exploration and evaluation assets are initially measured at cost and classified as tangible assets.

Government assistance related to exploration and evaluation assets is deducted from the cost of the related asset. The government assistance is recognized when all of the related criteria have been satisfied. If the government assistance is received prior to the criteria being satisfied, it is deferred.

An impairment test of exploration and evaluation assets is performed when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. If an indication of impairment exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that carrying amount exceeds recoverable amount. Recoverable amount is estimated as the higher of fair value less costs to sell and value in use.

Once technical feasibility and commercial viability of a mineral property can be demonstrated, exploration costs will be assessed for impairment and reclassified to property, plant and equipment and subject to different accounting treatment.

*d) FINANCIAL INSTRUMENTS*

**FINANCIAL ASSETS**

**Initial recognition and measurement**
Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either fair value through profit and loss (“FVPL”) or fair value through other comprehensive income (“FVOCI”), or “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows. All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

**Subsequent measurement – financial assets at amortized cost**
After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by considering any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of loss. Cash and amounts receivables are measured at amortized cost.

**Subsequent measurement – FVPL**
Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of loss. The Company did not have any financial instruments classified as FVPL.

**Subsequent measurement – FVOCI**
Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

**Derecognition**
A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

**Impairment of financial assets**
The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

**FINANCIAL LIABILITIES**

**Initial recognition and measurement**
Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL, as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL.

**Subsequent measurement – financial liabilities at amortized cost**
After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by considering any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the consolidated statements of operations. Accounts payable and accrued liabilities and accounts payable due to related parties are measured at amortized cost.

*e) SHARE CAPITAL*

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, options and warrants are classified as equity instruments.

*f) WARRANTS*

The Company may issue common share warrants attached to common shares issued, exercisable by the holder at a fixed price. As the price is fixed and the warrant is equity-settled, the warrants are accounted for as equity instruments on a fair value basis.

The fair value of each warrant is measured at the issuance date using the Black-Scholes option pricing model which determines volatility using the calculated value method. A portion of the consideration paid for the common shares with attached warrants, equal to the fair value of the warrants, is credited to warrant reserve, with the remaining consideration credited to share capital.

The consideration paid by the holder upon exercise of the warrants and the fair value of the warrants exercised, previously recorded in warrant reserve, are added to share capital.

On expiration, the issue date value of the unexercised warrants is reclassified to deficit.

*g) FLOW-THROUGH SHARES*

Under Canadian income tax legislation, a company is permitted to issue flow through shares whereby the Company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. The Company allocates the proceeds from the issuance of these shares between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the shares or the price at which the share, without the flow through feature, would be offered if no quoted price is available, and the amount the investor pays for the shares. A deferred flow through share premium liability is recognized for the difference. The liability is reversed when the expenditures are renounced and is recognized as a deferred tax recovery. The renunciation also gives rise to a deferred tax timing difference between the carrying value and the tax value of the qualifying expenditure.

*h) INCOME TAXES*

Income taxes expense comprises current and deferred income taxes. Income taxes expense is recognized in the consolidated statements of loss except to the extent that it relates to items recognized directly in equity.

Current income taxes are the expected taxes payable or recoverable on the taxable income or loss, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to income taxes payable in respect of previous years.

The Company accounts for deferred income taxes under the asset and liability method. Under this method of tax allocation, deferred income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences).

Deferred income taxes are measured using the tax rates that are expected to be in effect when the temporary differences are likely to reverse, based on the laws that have been enacted or substantively enacted by the reporting date. The effect on deferred income tax assets and liabilities of a change in tax rates is included in earnings in the period in which the change is substantively enacted. The amount of deferred income tax assets recognized is limited to the amount that is probable to be realized.

*i) NET LOSS PER SHARE*

Net loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period.

Diluted loss per share assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation.

Loss per share for the periods presented exclude the impact of issued and outstanding stock options and warrants as their effect would be anti-dilutive.

*j) PROVISIONS*

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance expense ("notional interest").

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required, the provision is reversed. The Company presently does not have any amounts considered to be provisions.

**Rehabilitation provisions**
The Company will record a liability for the estimated future costs associated with legal and constructive obligations relating to the reclamation and closure of its exploration assets. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion expense on the discounted liability. An equivalent amount is recorded as an increase to exploration assets and amortized over the useful life of these assets. Management is currently not aware of any existing significant legal or constructive obligations relating to the reclamation of its interest in exploration assets and therefore no such liability has been recorded as at December 31, 2023 and 2022.

*k) SHARE-BASED PAYMENTS*

The Company follows the fair value method of accounting for stock option awards granted to employees, directors and consultants. The fair value of stock options is estimated by the Black-Scholes option pricing model with assumptions for risk-free interest rate, dividend yield, volatility of the expected market price of the Company's common shares and an expected life of the options. The number of stock option awards expected to vest are estimated using a forfeiture rate based on historical experience and future expectations.

Option-pricing models require the use of highly subjective estimates and assumptions including the expected share price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measurement of the fair value of the Company's stock options.

The Company uses graded amortization which specifies that each vesting tranche must be accounted for as a separate arrangement with a unique fair value measurement. Each vesting tranche is subsequently amortized separately and in parallel from the grant date.

On expiry, the grant date value of unexercised stock options is reclassified from share-based payment reserve to deficit.

The Company uses a similar method of determining the fair value of warrants as that described for stock options above. As warrants issued by the Company vest immediately upon issuance, the full fair value of warrants is recognized as a warrant reserve upon issuance.

The fair value of direct payments of shares in exchange for non-monetary consideration is determined by reference to the issue price of the Company's shares for cash consideration in recent transactions with arm's length parties.

*l) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY*

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected. Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements, as well as estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

**Exploration and evaluation assets**
The assessment of whether general administration costs and salary costs are capitalised or expensed involves judgement. Management considers the nature of each cost incurred and whether it is deemed appropriate to capitalise it within exploration and evaluation assets.

The Company's exploration activities are subject to a number of significant and potential risks including:

- exploration, development and operating risk
- no assurance of production
- factors beyond the Company's control
- failure to obtain additional financing
- insurance and uninsured risks
- environmental risks and hazards
- government regulation and permitting delays
- infrastructure availability
- price volatility of publicly traded securities
- fluctuating metal prices

The recoverability of these exploration and evaluation assets is dependent on the discovery and successful development of economic reserves, including the ability to raise financing to develop future projects. Should this prove unsuccessful, the value included in the statement of financial position would be written off to operations. The assessment requires judgement as to the likely future commerciality of the asset and when such commerciality should be determined, future revenues, capital and operating costs and the discount rate to be applied to such revenues and costs.

**Estimation of rehabilitation provisions and asset retirement obligations and the timing of expenditure**
The estimated future costs associated with legal and constructive obligations relating to the reclamation, rehabilitation and closure of exploration assets are updated annually during the life of a project to reflect known developments (e.g. revisions to cost estimates and to the estimated lives of operations) and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is estimated based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

**Income, sales, withholding and other taxes**
The Company is subject to income, sales, withholding and other taxes. Significant judgement is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, sales, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from

the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

**Share-based compensation**
Management uses valuation techniques in estimating the fair value of stock options granted. The fair value is determined using the Black-Scholes option pricing model which requires management to make certain estimates, judgements and assumptions in relation to the expected life of the stock options, expected volatility, expected risk-free rate, and expected forfeiture rate. Changes to these assumptions could have a material impact on the Company's consolidated financial statements. See Note 7.

**Contingencies**
See Note 14.

*m) ACCOUNTING CHANGES*

During the year ended December 31, 2023, the Company adopted a number of amendments and improvements of existing standards. These included amendments to IAS 1, IAS 8 and IAS 12. These new standards and changes did not have any material impact on the Company's consolidated financial statements.

*n) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED*

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2024. Many are not applicable or do not have a significant impact to the Company and have been excluded.

The following have not yet been adopted and are being evaluated to determine their impact on the Company. The Company will adopt these pronouncements as of their effective date.

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2024.

(Expressed in Canadian dollars)

## 4. EXPLORATION AND EVALUATION ASSETS

The Company's operations are within the mineral exploration sector and relate principally to exploring and assessing mineral claims of the Cobequid Highlands Project near Londonderry and Mt. Thom, Nova Scotia.

| | Acquisition costs | Exploration costs | Total |
|---|---|---|---|
| | $ | $ | $ |
| Balance, December 31, 2021 | 37,779 | 571,926 | 609,705 |
| Additions: | | | |
| Acquisition of Mt. Thom | 40,000 | - | 40,000 |
| Claims registrations | - | 9,377 | 9,377 |
| Drilling | - | 435,873 | 435,873 |
| Geological | - | 312,157 | 312,157 |
| Technical consulting | - | 25,411 | 25,411 |
| Project management | - | 34,449 | 34,449 |
| Grants received | - | (33,000) | (33,000) |
| | 40,000 | 784,267 | 824,267 |
| Balance, December 31, 2022 | 77,779 | 1,356,193 | 1,433,972 |
| Additions: | | | |
| Claims registrations | - | 4,420 | 4,420 |
| Geological | - | 52,000 | 52,000 |
| Technical consulting | - | 50,000 | 50,000 |
| Project management | - | 18,602 | 18,602 |
| Grants received | - | (82,600) | (82,600) |
| | - | 42,422 | 42,422 |
| Balance, December 31, 2023 | 77,779 | 1,398,615 | 1,476,394 |

The Company holds a 100% interest in all of its mineral claims, subject to the royalties referred to below.

The Cobequid Highlands Project is subject to a 2% perpetual royalty on the return of economic resources (Note 14).

On February 9, 2022, the Company acquired 29 mineral claims in Nova Scotia (the "Mt. Thom Property") from Canadian Goldcamps Corporation in exchange for 200,000 common shares at a deemed value of $40,000. The acquired property is subject to a 1.5% gross royalty. Refer to Note 6.

During 2023, $9,000 (2022 - $36,000) of management compensation was capitalized as exploration and evaluation expenditures.

The grants received are mineral exploration incentive grants from the provinces of Nova Scotia and New Brunswick.

(Expressed in Canadian dollars)

### 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Trade payables | 102,578 | 73,189 |
| Accrued liabilities | 39,240 | 26,750 |
| Amounts due to related parties (Note 9) | 191,561 | 172,861 |
| | 333,379 | 272,800 |

### 6. SHARE CAPITAL

Share capital consists of an unlimited number of authorized common shares without par value. The following table summarizes the changes in share capital during the years noted.

| | Number of Shares | Amount |
|---|---|---|
| | | $ |
| Balance at December 31, 2021 | 31,950,295 | 2,408,563 |
| Shares issued for property acquisition | 200,000 | 40,000 |
| Balance at December 31, 2022 and 2023 | 32,150,295 | 2,448,563 |

On February 9, 2022, the Company issued 200,000 common shares at an issue price of $0.20 per share for total consideration of $40,000 to acquire the Mt. Thom property in Nova Scotia.

As at December 31, 2023, 6,579,000 (2022 – 13,158,000) common shares of the Company held by related parties of Spark were subject to escrow, 3,289,500 of which will be released every six months, with the next scheduled release date being May 19, 2024.

### 7. SHARE-BASED COMPENSATION

Pursuant to the Company's share-based compensation program, directors may, from time to time, authorize the issuance of options to directors, officers, employees and consultants of the Company, enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The options can be granted for a maximum term of 10 years and are subject to vesting provisions as determined by the Board of Directors.

On June 1, 2022, the Company granted 900,000 options to directors of the Company, exercisable at $0.30 per share for a five year period. The options vest quarterly over a period of two years. The grant date fair value of these options was estimated at $112,532. The following assumptions were used in calculating the fair value of options granted, using the Black-Scholes option pricing model: expected dividend yield of 0%, expected volatility of 124% determined based on the Company's historical volatility for the same period as the options' life, risk-free interest rate of 0.93%, share price of $0.16 and an expected life of 5 years. In the year ended December 31, 2023, the Company recognized $35,026 (2022 - $75,595) of share-based compensation with respect to these options.

As at December 31, 2023, the Company had the following outstanding stock options.

| Number of Options Outstanding | Number of Options Exercisable | Weighted average Exercise Price | Expiry Date |
|---|---|---|---|
| | | $ | |
| 360,000 | 360,000 | 0.050 | September 30, 2025 |
| 325,544 | 325,544 | 0.285 | November 28, 2024 |
| 900,000 | 787,500 | 0.300 | June 1, 2027 |
| 1,585,544 | 1,473,044 | 0.240 | |

(Expressed in Canadian dollars)

As at December 31, 2023, the weighted average remaining life of outstanding stock options was 2.5 years (2022 – 3.5 years)

The following table summarizes stock option activity for the years ended December 31, 2023 and 2022.

| | Number of options outstanding | Estimated Grant Date Fair Value | Weighted Average Exercise Price | Expiry Date |
|---|---|---|---|---|
| | | $ | $ | |
| Balance, December 31, 2021 | 685,544 | 61,050 | 0.162 | |
| Stock options granted | 900,000 | 112,532 | 0.300 | June 1, 2027 |
| Balance, December 31, 2022 and 2023 | 1,585,544 | 173,582 | 0.240 | |

The following table summarizes share-based payment reserve activity for the years ended December 31, 2023 and 2022.

| | $ |
|---|---|
| Balance, December 31, 2021 | 61,050 |
| Share based compensation | 75,595 |
| Balance, December 31, 2022 | 136,645 |
| Share based compensation | 35,026 |
| Balance, December 31, 2023 | 171,671 |

### 8. WARRANTS

2,500,000 warrants were issued on December 30, 2019 with an exercise price of $0.25 per share. The following assumptions were used in estimating the grant date fair value of the warrants, using the Black-Scholes option pricing model: expected dividend yield of 0%, expected volatility of 119% based on the Company's historical volatility for the estimated life of the warrants, risk-free interest rate of 0.23%, share price of $0.10 and an expected life of 3 years. These warrants expired unexercised on December 30, 2023, and the related issue date fair value of $130,673 was reallocated from warrants reserve to deficit.

As at December 31, 2023, there were no warrants issued and outstanding.

### 9. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The following amounts were due to related parties as at December 31, 2023 and 2022. They are non-interest bearing, unsecured and have no fixed terms of repayment.

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| 21Alpha | 8,740 | 10,740 |
| 2501023 NS Ltd. | 82,800 | 62,100 |
| Cambridge Financial Services | 58,771 | 58,771 |
| Technology Metals Inc. | 41,250 | 41,250 |
| | 191,561 | 172,861 |

(Expressed in Canadian dollars)

During the year ended December 31, 2023, 2501023 NS Ltd. provided the Company $18,000 of management and geological services (2022 - $72,000). 2501023 NS Ltd. is owned by Terence Coughlan, CEO. Of these amounts, $9,000 (2022 - $36,000) was capitalized as exploration and evaluation expenditures.

During the year ended December 31, 2023, Cambridge Financial Services, a company controlled by a director of the Company, provided the Company $Nil of management services (2022 - $14,000).

During the year ended December 31, 2023, Cambridge Financial Services also provided the Company $Nil of financial administration services (2022 - $19,749).

During the year ended December 31, 2023, John Shurko Inc., a company owned by John Shurko., provided the Company $51,000 of geological services performed by John Shurko (2022 - $60,000). These services were capitalized as exploration and evaluation expenditures. John Shurko owns 50% of 21Alpha Resources Inc., which in turn owns approximately 20% of the Company.

The Company is subject to a 2% perpetual royalty on the return of economic resources relating to the Cobequid Highlands Project, payable to Technology Metals Inc., John Shurko Inc., and Gravel Developments Inc. See Notes 4 and 14. Technology Metals Inc. (a subsidiary of Canadian Manganese Company Inc.) owns approximately 40.5% of the Company. Gravel Developments Inc. is a company owned by Jimmy Gravel. Jimmy Gravel owns 50% of 21Alpha Resources Inc., which in turn owns approximately 20% of the Company.

## 10. Compensation of Key Management Personnel

The remuneration of directors and other key management personnel (i) during the years ended December 31, 2023 and 2022 was as follows:

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| Short-term compensation (ii) | 18,000 | 86,000 |
| Share based compensation (iii) | 35,026 | 75,595 |
| | 53,026 | 161,595 |

(i) In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

(ii) Short-term compensation includes cash based salaries, bonuses and allowances, employment benefits and directors' fees.

(iii) Share-based compensation includes stock option expense recognized during the period.

In 2023, $9,000 (2022 - $36,000) of short-term compensation payable to 2501023 NS Ltd. was capitalized as exploration and evaluation expenditures and the remaining $9,000 (2022 - $36,000) of short-term compensation payable to 2501023 NS Ltd. was recognized as management compensation. See Notes 4 and 9.

As at December 31, 2023, $72,000 (before tax) (2022 - $54,000) of short-term compensation remained payable to key management personnel and is recorded in accounts payable to related parties. This amount is unsecured, non-interest bearing and due on demand.

(Expressed in Canadian dollars)

## 11. Income Taxes

a) Provision for Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 27.5% (2022 – 27.5%) to the effective tax rate is as follows:

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Loss before income taxes | (150,923) | (177,413) |
| Expected income tax recovery based on statutory rate | (42,000) | (49,000) |
| Adjustments to expected income tax recovery: | | |
| Share-based compensation | 10,000 | 20,000 |
| Flow-through renunciation | - | 202,000 |
| Expenses not deductible for tax purposes | - | - |
| Flow-through liability reversal | - | (43,000) |
| Share issue costs | - | (16,000) |
| Change in tax rates | - | (114,000) |
| Other | 28,000 | - |
| Change in benefit of tax assets not recognized | 4,000 | - |
| Deferred income tax provision (recovery) | - | - |

b) Deferred Income Taxes

Deferred taxes result from temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities:

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Recognized deferred tax assets and liabilities | | |
| Non-capital loss carry-forwards | 271,000 | 263,000 |
| Share issue costs | - | - |
| Mineral Property costs | (271,000) | (263,000) |
| Other temporary differences | - | - |
| Deferred income tax liability | - | - |

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

| | | |
|---|---|---|
| Mineral Property costs | (271,000) | (263,000) |
| Other temporary differences | - | - |
| Deferred income tax liability | - | - |

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Unrecognized deferred tax assets | | |
| Non-capital loss carry-forwards | 130,000 | 71,000 |

The tax losses expire from 2036 to 2043. The other temporary differences do not expire under current legislation.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

### 12. FINANCIAL INSTRUMENTS

As all financial assets and liabilities are short-term, the carrying values are a reasonable approximation of fair value. The Company is exposed to various risks in relation to financial instruments, which are the same as the risks in the prior year. Following is a summary of the most significant financial risks.

*(a) CREDIT RISK*

Cash and amounts receivable are exposed to credit risk. The Company maintains its cash invested in demand deposits at a major Canadian bank. The amounts receivable consist of harmonized sales taxes due from the Government of Canada. The Company believes that exposure to credit risk is low.

*(b) LIQUIDITY RISK*

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. The Company's liquidity and operating results may be adversely affected if the Company is not able to raise additional funds through financings. On December 31, 2023, the Company had cash of $61,841 to settle current liabilities of $298,379.

*(c) INTEREST RATE RISK*

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

*(d) CURRENCY RISK*

The Company has no significant financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and its functional currency is the Canadian Dollar. Cash is held in Canadian dollars and virtually all the Company's costs are denominated in Canadian dollars.

*(e) COMMODITY PRICE RISK*

The ability of the Company to develop its mineral properties and the future profitability of the Company is directly related to the market price of certain minerals and metals.

### 13. CAPITAL MANAGEMENT

The capital of the Company consists primarily of its shareholders' equity.

The Company's objective when managing capital is to maintain adequate levels of funding, done primarily through equity financing, to support the exploration, development and exploration of mineral properties and to maintain the necessary corporate and administrative functions to facilitate these activities. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. All equity financings require the approval of the Board of Directors.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no significant changes to the Company's approach to capital management during the years ended December 31, 2023 and 2022.

### 14. COMMITMENTS AND CONTINGENCIES

The Company's mineral and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

As part of the purchase of certain mineral claims relating to the Cobequid Highlands Project (Note 4), the Company is party to a royalty agreement with Technology Metals Inc., John Shurko Inc. and Gravel Developments Inc. to pay a 2% perpetual royalty on the return of economic resources found in relation to the claims. Under the terms of this agreement the 2% royalty will be split 65% to Technology Metals Inc., 17.5% to John Shurko Inc. and 17.5% to Gravel Developments Inc. As the triggering event has not occurred, no provision has been made in the consolidated financial statements.

During 2021, the Company issued flow-through shares for aggregate subscription proceeds of $524,100, with a commitment to spend the proceeds on eligible Canadian exploration expenditures prior to December 31, 2022. As at December 31, 2022, the Company had fulfilled the entire commitment. In addition, the Company had a remaining flow-through expenditure commitment of $239,000 as at December 31, 2021 with respect to a $500,000 flow-through financing in 2020, of which the entire commitment was fulfilled by December 31, 2022. Certain interpretations are required to assess the eligibility of flow-through expenditures that, if changed, could result in the denial of renunciation. The Company provided subscribers with indemnification for any tax liability that may arise if the Company is found to have not incurred the eligible Canadian exploration expenditures as required in accordance with the flow-through subscription agreements.