# Lode Metals Corp.

## Condensed Consolidated Interim Financial Statements

For six months ended July 31, 2023 and 2022

(Expressed in Canadian Dollars - unaudited)

## 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.

**Lode Metals Corp. (formerly Crane Capital Corp.)**
**Condensed Consolidated Interim Statements of Financial Position**
(Expressed in Canadian Dollars)

| | | July 31 ,2023 (unaudited) | | January 31, 2023 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current asset** | | | | |
| Cash | **$** | **24,745** | $ | 113,346 |
| GST receivable | | **51,635** | | 41,429 |
| Prepaid expenses | | **18,435** | | 11,790 |
| | | **94,815** | | 166,565 |
| Exploration and evaluation asset (Notes 4 and 9) | | **3,168,303** | | 2,809,557 |
| **TOTAL ASSETS** | **$** | **3,263,118** | $ | 2,976,122 |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Accounts payable and accrued liabilities (Notes 5 and 9) | **$** | **325,146** | $ | 84,977 |
| Loan payable (Note 6) | **$** | **151,973** | $ | - |
| **TOTAL LIABILITIES** | | **477,119** | | 84,977 |
| **SHAREHOLDERS' EQUITY** | | | | |
| Share capital (Note 7) | | **5,185,885** | | 4,967,271 |
| Subscription receipts (Note 7) | | **10,000** | | - |
| Reserve (Note 8) | | **341,213** | | 288,655 |
| Accumulated deficit | | **(2,751,099)** | | (2,364,781) |
| **TOTAL SHAREHOLDERS' EQUITY** | | **2,785,999** | | 2,891,145 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **$** | **3,263,118** | $ | 2,976,122 |

**Nature of Operations and Going Concern (Note 1)**
**Subsequent Event (Note 13)**

These financial statements were authorized for issue by the Board of Directors on September 28, 2023. They are signed on behalf of the Board of Directors by:

*/s/ "Ken Tullar"*
Director

*/s/ "James Yates"*
Director

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

**Lode Metals Corp.**
**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss**
(Expressed in Canadian Dollars - unaudited)

| | Three Months ended | | Six Months Ended | |
|---|---|---|---|---|
| | **July 31, 2023** | **July 31, 2022** | **July 31, 2023** | **July 31, 2022** |
| **EXPENSES** | | | | |
| Consulting fees | **$ 19,833** | $ 30,000 | **$ 19,833** | $ 87,000 |
| Foreign exchange loss (gain) | **(905)** | (763) | **(641)** | 2,262 |
| General and administrative costs (Note 9) | **52,244** | 41,437 | **108,485** | 74,743 |
| Management fees (Note 9) | **72,000** | - | **90,000** | - |
| Marketing fees | **8,251** | - | **8,251** | 14,723 |
| Professional fees | **74,375** | 62,013 | **96,419** | 96,389 |
| Stock-based compensation (Notes 8 and 9) | **57,860** | 21,672 | **71,791** | 66,940 |
| Transfer agent, regulatory and listing fees | **8,646** | 1,625 | **11,413** | 13,458 |
| **LOSS AND COMPREHENSIVE LOSS** | **$ 292,304** | $ 155,984 | **$ 405,551** | $ 355,515 |
| **Basic and diluted loss per share** | **$ (0.01)** | $ (0.01) | **$ (0.01)** | $ (0.01) |
| **Weighted average number of common shares outstanding** | **55,119,129** | 46,569,456 | **50,713,107** | 44,359,237 |

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

**Lode Metals Corp.**
**Condensed Consolidated Interim Statements of Cash Flows**
(Expressed in Canadian Dollars - unaudited)

| | Six Months Ended July 31, 2023 | Six Months Ended July 31, 2022 |
|---|---|---|
| **Cash flows provided from (used in):** | | |
| **OPERATING ACTIVITIES** | | |
| **Net loss** | $ (405,551) | $ (355,515) |
| **Non-cash items:** | | |
| Stock-based compensation | 71,791 | 66,940 |
| Foreign exchange loss | - | 2,262 |
| **Net changes in non-cash working capital items:** | | |
| GST receivable and prepaid expenses | (7,851) | (8,292) |
| Accounts payable and accrued liabilities | 201,725 | (242,147) |
| Interest expense | 1,973 | - |
| **Net cash flows used in operating activities** | (137,913) | (536,751) |
| | | |
| **INVESTING ACTIVITES** | | |
| Mineral property acquisition and exploration costs | (110,688) | (476,839) |
| Deposits | - | 67,928 |
| **Net cash flows used in investing activities** | (110,688) | (408,911) |
| | | |
| **FINANCING ACTIVITIES** | | |
| Proceeds from subscriptions receipts | 10,000 | - |
| Share issuance costs | - | (15,446) |
| Receipt of promissory note | 150,000 | - |
| **Net cash flows (used in) provided from financing activities** | 160,000 | (15,446) |
| | | |
| **Net decrease in cash** | (88,601) | (961,109) |
| **Cash, beginning** | 113,346 | 1,825,398 |
| **Cash, ending** | $ 24,745 | $ 864,289 |

| | | |
|---|---|---|
| **Non-cash investing activity:** | | |
| Exploration and evaluation expenditures included within accounts payable | $ 83,368 | $ 137,745 |
| Fair value of shares issued for exploration and evaluation asset | $ 218,614 | $ - |

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

**Lode Metals Corp.**
**Condensed Consolidated Interim Statement of Changes in Shareholders' Equity**
(Expressed in Canadian Dollars - unaudited)

| | Number of shares | Amount | Subscription receipts | Special warrants | Reserve | Accumulated deficit | Total |
|---|---|---|---|---|---|---|---|
| **Balance at January 31, 2022** | **39,425,719** | **$ 2,482,386** | **$ 1,264,331** | **$ 1,236,000** | **$ 190,891** | **$ (1,809,514)** | **$ 3,364,094** |
| Conversion of subscription receipts (Note 7) | 3,612,316 | 1,264,331 | (1,264,331) | - | - | - | - |
| Conversion of special warrants (Note 4) | 3,531,426 | 1,236,000 | - | (1,236,000) | - | - | - |
| Share issuance costs | - | (15,446) | - | - | - | - | (15,446) |
| Stock-based compensation | - | - | - | - | 66,940 | - | 66,940 |
| Cancelled options | - | - | - | - | (389) | 389 | - |
| Net and comprehensive loss for the period | - | - | - | - | - | (355,515) | (355,515) |
| **Balance at July 31, 2022** | **46,569,461** | **4,967,271** | **-** | **-** | **257,442** | **(2,164,640)** | **3,063,073** |
| | | | | | | | |
| **Balance at January 31, 2022** | **46,569,461** | **4,967,271** | **-** | **-** | **-** | **(2,364,781)** | **2,891,145** |
| Fair value of common share issued for exploration and evaluation asset | 10,000,000 | 218,614 | - | - | - | - | 218,614 |
| Subscriptions received (Note 8) | - | - | 10,000 | - | - | - | 10,000 |
| Stock-based compensation (Note 9) | - | - | - | - | 71,791 | - | 71,791 |
| Cancelled options | - | - | - | - | (19,233) | 19,233 | - |
| Net and comprehensive loss for the period | - | - | - | - | - | (405,551) | (405,551) |
| **Balance at July 31, 2023** | **56,569,461** | **$ 5,185,885** | **$ 10,000** | **$ -** | **$ 341,213** | **$ (2,751,099)** | **$ 2,785,999** |

The accompanying notes form an integral part of these condensed consolidation interim financial statements.

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Lode Metals Corp. (the "Company" or "Lode Metals") is a gold focused Canadian exploration company. The Company's registered office is located at 885 West Georgia Street, Vancouver, BC, V6C 3E8.

On April 12, 2021, Lode Metals acquired all of the outstanding shares of 2262496 Alberta Ltd. ("226") by way of share exchange agreement (Note 4) (the "Transaction"). 226 has been identified for accounting purposes as the acquirer, and accordingly the Company is considered to be a continuation of 226, and the net assets of Lode Metals at the date of the reverse acquisition are deemed to have been acquired by 226. The Transaction provided the Company with business operations for the purposes of the listing of the Company's common shares on the Canadian Securities Exchange ("CSE"). On March 23, 2022, the Company received final receipt from the British Columbia Securities Commission of the Company's Long Form Prospectus dated March 22, 2022, and the Company's common shares were listed on the CSE under the symbol LODE.

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and settle its liabilities in the normal course of business. At July 31, 2023, the Company had cash of $24,745 and its current liabilities exceed its current assets by $382,304. The Company currently has no active business and is not generating any revenues. It has incurred losses since inception and had an accumulated deficit of $2,751,099 as at July 31, 2023. Whether and when the Company can obtain profitability and positive cash flows from operations is uncertain. These uncertainties may cast significant doubt on the ability of the Company to continue as a going concern. The Company's ability to continue its operations is dependent on its success in raising equity through share issuances, suitable debt financing and/or other financing arrangements. While the Company has been successful in raising equity in the past, there can be no guarantee that it will be able to raise sufficient funds to fund its activities and general and administrative costs in the next twelve months and in the future. These financial statements do not give effect to the required adjustments to the carrying amounts and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

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

### (b) Basis of presentation

These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss ("FVTPL"), which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The significant accounting policies, as disclosed, have been applied consistently to all periods presented in these financial statements.

### (c) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, 226 and Elkhorn Gold Exploration LLC. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

### (d) Presentation and functional currency

The presentation and functional currency of the Company and its subsidiaries is the Canadian dollar. All amounts in these financial statements are expressed in Canadian dollars, unless otherwise indicated.

### (e) Significant accounting judgments and estimates

The preparation of financial statements in accordance with IFRS requires management to make certain critical accounting estimates and assumptions about the future and to exercise judgment in applying the Company's accounting policies. Actual results could differ from these estimates. Estimates and underlying assumptions

## 2. BASIS OF PREPARATION (continued)

are reviewed on an ongoing basis. The impacts of changes to estimates are recognized in the period estimates are revised and in future periods affected. The critical judgments and assumptions made by management and other major sources of measurement uncertainty.

Significant accounting judgments

The critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements are as follows:

*Going concern*

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures and meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

*Impairment of long-lived assets*

The carrying value and the recoverability of long-lived assets, including exploration and evaluation assets, are evaluated at each reporting date. Management assesses for indicators of impairment, which includes assessing whether facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.

Key sources of estimation uncertainty

The key assumptions management has made about the future and other major sources of estimation uncertainty at the date of the interim condensed consolidated statement of financial position that have significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial period are as follows;

*Income taxes*

The Company recognizes deferred tax assets for deductible temporary differences, unused tax losses and other income tax deductions only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and other income tax deductions can be utilized. In assessing the probability of realizing the income tax benefits of deductible temporary differences, unused tax losses and other income tax deductions, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.

The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence.

As at July 31, 2023 and 2022, the Company has not recognized any deferred tax assets for deductible temporary differences. Changes in any of the above-mentioned estimates can materially affect the amount of income tax assets recognized. In addition, where applicable tax laws and regulations are either unclear or subject to varying interpretations, changes in these estimates can occur that materially affect the amounts of income tax assets recognized. The Company reassesses unrecognized income tax assets at the end of each reporting period.

*Valuation of stock-based compensation*

The Company uses the Black-Scholes Option Pricing Model for valuation of stock-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

(Expressed in Canadian Dollars - unaudited)

## 3. MATERIAL ACCOUNTING POLICIES

The accounting policies followed by the Company are set out in Note 3 to the audited financial statements for the year ended January 31, 2023 and have been consistently followed in the preparation of these condensed consolidated interim financial statements. In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the IASB that were effective for annual periods that begin on or after January 1, 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

*Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments – Disclosure of Accounting Policies*

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information." Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments were applied effective February 1, 2023, and did not have a material impact on the Company's consolidated financial statements.

## 4. EXPLORATION AND EVALUATION ASSET

| | Butte Projects | Cracker Creek | Total |
|---|---|---|---|
| **Acquisition Costs** | | | |
| Balance, January 31, 2022, and July 31, 2022 | $ - | $ 501,308 | $ 501,308 |
| Additions | - | 265,106 | 265,106 |
| Balance, January 31, 2023 | $ - | $ 766,414 | $ 766,414 |
| Additions | 218,614 | 82,414 | 301,028 |
| **Balance, July 31, 2023** | **$ 218,614** | **$ 848,828** | **$ 1,067,442** |
| **Deferred Exploration Costs** | | | |
| Balance, January 31, 2022 | $ - | $ 1,169,231 | $ 1,169,231 |
| Consulting (Note 9) | - | 367,872 | 367,872 |
| Land maintenance | - | 34,302 | 34,302 |
| Geophysics | - | 93,586 | 93,586 |
| Other | - | 378,152 | 378,152 |
| Balance, January 31, 2023 | $ - | $ 2,043,143 | $ 2,043,143 |
| Consulting (Note 9) | - | 49,611 | 49,611 |
| Land maintenance | - | 584 | 584 |
| Geophysics | - | 1,071 | 1,071 |
| Other | - | 6,452 | 6,452 |
| Balance, July 31, 2023 | **$ -** | **$ 2,100,861** | **$ 2,100,861** |
| **Total** | | | |
| Balance, January 31, 2023 | $ - | $ 2,809,557 | $ 2,809,557 |
| **Balance, July 31, 2023** | **$ 218,614** | **$ 2,949,689** | **$ 3,168,303** |

## 4. EXPLORATION AND EVALUATION ASSET (continued)

*Cracker Creek Gold Property, Oregon, USA*

On November 9, 2020, 226 entered into an Exploration and Purchase Option Agreement (the "Option Agreement") with Cracker Creek Gold Corporation ("Cracker Creek") whereby 226 has the option (the "Option") to acquire an undivided 100% legal and beneficial right, title and interest in and to the Cracker Creek Gold Property (the "Property") located in Bourne, Oregon, USA for a total purchase price of US$3,000,000 (the "Purchase Price").

To maintain the Option Agreement in good standing, 226 must:

i) Pay US$100,000 in cash upon signing (paid $131,503 during the period ended January 31, 2021); and
ii) Pay US$60,000 every six months after the signing date until the date that 226 exercises the Option as provided under the Option Agreement or until the date that the Option Agreement is terminated according to its terms ($159,516 paid during the year ended January 31, 2023; $149,017 paid during the year ended January 31, 2022,$82,414 paid during the six months ended July 31, 2023).

If the Option Agreement has been maintained in good standing, 226 may exercise its option to purchase the Property at any time after the signing date as follows:

i) On or before May 1, 2024, deliver notice to Cracker Creek of 226's decision to exercise the Option (the "Exercise Notice");
ii) Concurrently with 226's delivery of the Exercise Notice to Cracker Creek, pay Cracker Creek by wire transfer US$300,000 immediately as a deposit towards the Purchase Price; and
iii) Perform certain closing requirements including payment in full of the remaining balance of the Purchase Price.

The Property is subject to a 2.5% net smelter returns ("NSR") royalty held by Cracker Creek.

On November 21, 2020, 226 entered into a Services Agreement (the "Services Agreement") with Minefinders LLC ("Minefinders") for services provided by Minefinders related to the signing of the Option Agreement with Cracker Creek. As consideration for services rendered, 226 has agreed to make certain payments to Minefinders and to grant to Minefinders a 0.5% NSR royalty (the "Minefinders NSR") at the commencement of commercial production at the Property. 226 shall have the option (the "Royalty Option") to purchase the Minefinders NSR at any time within two years of signing the Services Agreement for US$500,000.

The payments for services rendered shall be made by 226 as follows:

i) US$40,000 in cash upon signing (paid $68,797 during the period ended January 31, 2021);
ii) US$40,000 every six months after the signing date until the earlier of (i) the date that 226 exercises its Option as provided under the Option Agreement, (ii) the date that the Option Agreement is terminated according to its terms and (iii) May 1, 2024 (paid $53,288 during the period ended January 31, 2021, $98,703 during the year ended January 31, 2022, $105,590 paid during the year ended January 31, 2023 and $Nil paid during the six months ended July 31,2023);
iii) Unless the Royalty Option has been exercised by 226, US$500,000 on the date that commercial production is achieved; and
iv) Unless the Royalty Option has been exercised by 226, US$500,000 on the date that is 12 months from the date that commercial production is achieved.

(Expressed in Canadian Dollars - unaudited)

## 4. EXPLORATION AND EVALUATION ASSET (continued)

*Iron Butte Project, Lander County, Nevada, USA*

On May 10, 2023, the Company obtained entered into a definitive assignment and assumption agreement (the "Definitive Agreement"), with Angold Resources Ltd. to obtain the legal rights and obligations of the Iron Butte Project ('Iron Butte"). In consideration for the Assignment, the Company has agreed to issue 10,000,000 common shares (the "Consideration Shares") to Angold, and to assume all obligations of both Iron Butte and Hope Butte projects with respect to the Option Agreements. Following completion of the Assignment, Lode will hold the rights to acquire the Iron Butte Project pursuant to the Option Agreements, in consideration for completing the following cash payments and share issuances:

i) $150,000 USD in cash (or $45,000 USD in common shares) on the date of or before December 21, 2023
ii) $200,000 USD in cash (or $63,000 USD in common shares) on the date of or before December 21, 2024
iii) $300,000 USD in cash (or $90,000 USD in common shares) on the date of or before December 21, 2025
iv) $500,000 USD in cash on the date of or before December 21, 2026

*Hope Butte Project, Malheur County, Oregon*

On May 10, 2023, the Company obtained entered into a definitive assignment and assumption agreement (the "Definitive Agreement"), with Angold Resources Ltd. to obtain the legal rights and obligations of the Hope Butte Project ('Hope Butte"). In consideration for the Assignment, the Company has agreed to issue 10,000,000 common shares (the "Consideration Shares") to Angold, and to assume all obligations of both Hope Butte and Iron Butte projects with respect to the Option Agreements. Following completion of the Assignment, Lode will hold the rights to acquire the Hope Butte Project pursuant to the Option Agreements, in consideration for completing the following cash payments and share issuances:

i) $75,000 USD in cash (or $50,000 USD in common shares) on the date of or before October 12, 2023
ii) $150,000 USD in cash (or $75,000 USD in common shares) on the date of or before October 12, 2024
iii) $200,000 USD in cash on the date of or before October 12, 2025
iv) $250,000 USD in cash on the date of or before October 12, 2026

## 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities are composed of the following:

| | | July 31, 2023 | | January 31, 2023 |
|---|---|---|---|---|
| Accounts payable | $ | 263,321 | $ | 57,154 |
| Accrued liabilities | | 61,825 | | 27,823 |
| **Total** | **$** | **325,146** | **$** | **84,977** |

(Expressed in Canadian Dollars - unaudited)

## 6. LOAN PAYABLE

On May 25, 2023, the Company entered into a promissory note loan agreement with TY & Sons Investments Inc. ("TY & Sons"), where an advance of $100,000 was made upon the execution of the promissory note. On July 21, 2023, a further $50,000 was advanced to the Company within the same promissory note agreement. Under the terms of the agreement, $1,973 of interest expense was incurred up to July 31, 2023. Subsequent to July 31, 2023 (Note 13), the Company settled the outstanding indebtedness of $150,000 promissory note through the issuance of 1,500,000 units at a deemed price of $0.10 per unit.

## 7. SHARE CAPITAL

### a) Authorized

Unlimited number of common shares without par value.

### b) Issued

<u>Six months ended July 31, 2023</u>

On May 18, 2023, the Company issued 10,000,000 common shares (the "Consideration Shares") to Angold Resources Ltd. as part of a definitive assignment and assumption agreement (the "Definitive Agreement"). The shares were issued at their market price of $0.06 per share and assume a fair value of $218,614. The Consideration Shares are subject to an escrow arrangement until May 18, 2024, during which time they may not be traded.

As at July 31, 2023, subscription receipts of $10,000 were held ahead of the closing of a private placement on August 9, 2023 (Note 13).

<u>Six months ended July 31, 2022</u>

On March 29, 2022, the Company converted the subscription receipts and special warrants into common shares, which resulted in the issuance of 7,143,742 common shares, concurrent with final receipt from the British Columbia Securities Commission of the Company's Long Form Prospectus, and the Company's common shares were listed on the CSE. The Company incurred share issuance costs of $15,446 in connection with the conversion.

## 8. RESERVE

*Stock options*

During the six months ended July 31, 2023, the Company recognized stock-based compensation of $71,791 (2022 - $66,940) related to the vesting of previously granted options.

A continuity schedule of the Company's outstanding stock options for the six months ended July 31, 2023 and 2022 are as follows:

| | July 31, 2023 | | July 31, 2022 | |
|---|---|---|---|---|
| | **Number outstanding** | **Weighted average exercise price** | **Number outstanding** | **Weighted average exercise price** |
| **Outstanding, beginning of period** | **3,822,500** | **$ 0.15** | **3,822,500** | **$ 0.15** |
| Granted | 850,000 | 0.06 | - | - |
| Expired | 280,000 | 0.15 | - | - |
| **Outstanding, end of period** | **4,392,500** | **$ 0.13** | **3,822,500** | **$ 0.15** |
| **Exercisable, end of period** | **4,292,500** | **$ 0.13** | **2,386,250** | **$ 0.15** |

(Expressed in Canadian Dollars - unaudited)

## 8. RESERVE (continued)

At July 31, 2023, the Company had outstanding stock options exercisable to acquire common shares of the Company as follows:

| Expiry date | Options outstanding | Options exercisable | Exercise price | Weighted average remaining contractual life (in years) |
|---|---|---|---|---|
| April 30, 2026 | 2,592,500 | 2,592,500 | $ 0. 15 | 2.75 |
| May 12, 2026 | 750,000 | 750,000 | $ 0. 15 | 2.78 |
| August 30, 2026 | 200,000 | 100,000 | $ 0. 15 | 3.08 |
| May 10, 2028 | 850,000 | 850,000 | $ 0. 06 | 4.78 |
| | 4,392,500 | 4,292,500 | $ 0. 15 | 3.16 |

*Restricted Share Units*

On May 10, 2023, 1,000,000 restricted share units ("RSU's") were granted to the CEO of the Company. The RSU's will vest on September 11, 2023 and assume an exercisable price of $0.06 per unit. Upon vesting, the RSU's represent the holders right to acquire one common share of the Company.

The following is a continuity of the Company's RSU's outstanding for the six months ended July 31, 2023 and 2022:

| | July 31, 2023 | | July 31, 2022 | |
|---|---|---|---|---|
| | Number outstanding | Weighted average exercise price | Number outstanding | Weighted average exercise price |
| **Outstanding, beginning of period** | **-** | **$ -** | **-** | **$ -** |
| Granted | 1,000,000 | 0.06 | - | - |
| Expired | - | - | - | - |
| **Outstanding, end of period** | **1,000,000** | **$ 0.06** | **-** | **$ -** |
| **Exercisable, end of period** | **-** | **$ -** | **-** | **$ -** |

At July 31, 2023, the Company had outstanding restricted share units as follows:

| Vesting date | RSU's outstanding | Options exercisable | Exercise price | Weighted average remaining contractual life (in years) |
|---|---|---|---|---|
| September 11, 2023 | 1,000,000 | - | $ 0. 06 | 0.12 |

During the six months ended July 31, 2023, the Company recognized $15,484 (2022 - $nil) in stock-based compensation expense related to the vesting of RSU's.

## 9. RELATED PARTY TRANSACTIONS

The Company's related parties consist of its key management personnel, including its directors and officers.

During the six months ended July 31, 2023, the Company incurred total consulting fees of $28,329 to the COO (2022 - $86,736). The amount was capitalized in exploration and evaluation assets as it relates to project management on the property (Note 5).

During the six months ended July 31, 2023, the Company incurred management fees of $90,000 to the CEO (2022 - $Nil) and $24,000 in fees to the CFO (2022 - $Nil) (recorded in General and administrative costs).

(Expressed in Canadian Dollars - unaudited)

## 9. RELATED PARTY TRANSACTIONS (continued)

As at July 31, 2023, the Company owed a total of $21,000 to the CFO (2022 - $Nil), $51,032 to the CEO (2022 - $Nil) and $ 21,772 to the COO (2022 - $Nil). All amounts have been included within accounts payable and accrued liabilities as at July 31, 2023.

During the six months ended July 31, 2023, the Company recognized stock-based compensation expense related to options and RSU's granted to directors and officers of $43,977 (2022 - $30,402).

## 10. FINANCIAL INSTRUMENTS

### a) Categories of financial instruments and fair value measurements

The Company's financial assets and liabilities are classified as follows:

| | | July 31, 2023 | | January 31, 2023 |
|---|---|---|---|---|
| **Financial assets:** | | | | |
| ***Fair value through profit and loss*** | | | | |
| Cash and restricted cash | $ | 24,745 | $ | 113,346 |
| **Financial liabilities:** | | | | |
| ***Amortized cost*** | | | | |
| Accounts payable | $ | 263,321 | $ | 57,154 |
| Loan payable | | 151,973 | | - |

The fair values of the Company's accounts payable and loan payable approximate their carrying amounts due to the short-term nature of these instruments.

### b) Management of financial risks

**Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. At July 31, 2023, the Company was exposed to credit risk on its cash.

The Company's cash is held with a high credit quality financial institution as at July 31, 2023, management considers its exposure to credit risk to be low.

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company manages liquidity risk by maintaining adequate cash and managing its capital and expenditures.

At July 31, 2023, the Company had cash of $24,745 (January 31, 2023 – $113,346) and current liabilities of $477,119 (January 31, 2023 – $84,977) with contractual maturities of less than one year. The Company did not have sufficient cash to meet its current liabilities at July 31, 2023, therefore the Company assessed its liquidity risk as high as at July 31, 2023.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's financial assets and financial liabilities are not exposed to interest rate risk due to their short-term nature and maturity. The Company is not exposed to interest rate risk at July 31, 2023.

## 11. FINANCIAL INSTRUMENTS (continued)

### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that it has monetary assets and liabilities denominated in foreign currencies. As at July 31, 2023, management considers its exposure to foreign currency risk to be low.

## 12. CAPITAL MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity composed of issued share capital. 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 balance its overall capital structure through new share issuances or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements.

## 13. SUBSEQUENT EVENTS

On August 9, 2023, the Company completed a non-brokered private placement wherein 3,950,000 units were issued at a price of $0.10 per unit for gross proceeds of $395,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase on additional common share at a price of $0.16 until August 9, 2025. Concurrently with the completion of the private placement, the Company settled the loan payable (Note 6) through the issuance of 1,500,000 units at a price of $0.10 per unit.

On August 17, 2023 the Company announced that it had entered into a letter of intent (“LOI”) with Jao Francisco, pursuant to which it will evaluate a series of mineral claims (Comenco Property) located in the Aracuai region of Minas Gerais, Brazil. In the event the Company is satisfied with its review of the Property, the LOI contemplates that the Company would be granted an option to acquire the Property in consideration for completing a series of cash payments totaling US$100,000 and incurring at least US$1,000,000 in exploration expenditures on the Property over a 24 month period. It is also contemplated that the Vendor will be entitled to receive additional bonus payments based on the successful exploration results on the Property.

On September 20, 2023, 1,000,000 RSU’s were exercised and accordingly 1,000,000 common shares were issued.

On September 20, 2023, 100,000 stock options from the May 10, 2023 grant were exercised at a price of $0.06 each for gross proceeds of $6,000 resulting in the issuance of 100,000 common shares.

On September 21, 2023, the Company entered into a promissory note loan agreement with TY & Sons Investments Inc. (“TY & Sons”), where an advance of $50,000 was made upon the execution of the promissory note. Any further advances are to be made by mutual agreement between the Company and TY & Sons. The initial advances and all subsequent advances shall be due and payable on demand. The unpaid principal amount of the note shall accrue interest at a rate of ten percent (10%) annually.

On September 21, 2023, the Company entered into a promissory note loan agreement with Carrera Capital International Ltd., where an advance of $50,000 was made upon the execution of the promissory note. Any further advances are to be made by mutual agreement between the Company and Carrera Capital International Ltd. The initial advances and all subsequent advances shall be due and payable on demand. The unpaid principal amount of the note shall accrue interest at a rate of ten percent (10%) annually.