

**SORRENTO RESOURCES LTD.**

**FINANCIAL STATEMENTS**  
**(Expressed in Canadian Dollars)**

**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF SORRENTO RESOURCES LTD.

#### *Opinion*

We have audited the financial statements of Sorrento Resources Ltd. (the "Company"), which comprise:

- ◆ the statements of financial position as at June 30, 2024 and 2023;
- ◆ the statements of loss and comprehensive loss for the years then ended;
- ◆ the statements of cash flows for the years then ended;
- ◆ the statements of changes in shareholders' equity for the years then ended; and
- ◆ the notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2024 and 2023, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

#### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits 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 financial statements, which indicates that the Company incurred a net loss of \$612,577 and negative cash flows from operations of \$333,284 during the year ended June 30, 2024 and, as of that date, the Company has an accumulated deficit balance of \$1,275,245. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended June 30, 2024. These matters were addressed in the context of our audit of the 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 the *Material Uncertainty Related to Going Concern* section, we have determined that there are no key audit matters to communicate in our auditors' report.

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### *Other Information*

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

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

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

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

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

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

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

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

### *Auditors' Responsibilities for the Audit of the Financial Statements*

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

- ◆ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- ◆ 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 on the audit resulting in this independent auditors' report is Michelle Chi Wai So.

*Smythe LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
October 16, 2024

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**SORRENTO RESOURCES LTD.**  
**STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)  
**AS AT JUNE 30,**

	<b>2024</b>	2023
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 19,261	\$ 322,545
Accounts receivable	23,309	23,691
Prepaid expenses and deposits (Note 5)	<u>44,132</u>	<u>155,468</u>
	86,702	501,704
<b>Investment</b> (Note 4)	100,000	-
<b>Mineral properties</b> (Note 5)	<u>693,499</u>	<u>560,000</u>
	<u>\$ 880,201</u>	<u>\$ 1,061,704</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 7)	<u>\$ 223,571</u>	<u>\$ 32,497</u>
	<u>223,571</u>	<u>32,497</u>
<b>Shareholders' equity</b>		
Share capital (Note 6)	1,912,818	1,590,068
Obligation to issue shares (Notes 6 and 7)	-	42,750
Reserves (Note 6)	59,057	59,057
Accumulated other comprehensive loss	(40,000)	-
Deficit	<u>(1,275,245)</u>	<u>(662,668)</u>
	<u>656,630</u>	<u>1,029,207</u>
	<u>\$ 880,201</u>	<u>\$ 1,061,704</u>

Approved and authorized by the Board of Directors on October 16, 2024.

“Brayden Sutton” Director “Samantha Shorter” Director

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

**SORRENTO RESOURCES LTD.**  
**STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)  
**FOR THE YEARS ENDED JUNE 30,**

	<b>2024</b>	2023
<b>Expenses</b>		
Consulting fees (Note 7)	\$ 78,000	\$ 68,000
Directors' fees (Note 7)	30,000	50,250
Exploration expenses (Notes 5 and 7)	265,205	69,721
Investor relations	41,239	22,730
Listing fees	29,890	38,965
Management fees (Note 7)	90,000	70,000
Office and miscellaneous	18,597	33,414
Professional fees	70,756	70,332
Transfer agent and filing fees	<u>12,389</u>	<u>13,877</u>
<b>Total expenses</b>	(636,076)	(437,289)
<b>Other income (expense)</b>		
Gain on sale of mineral property (Note 5)	92,597	-
Impairment of mineral property (Note 5)	<u>(69,098)</u>	<u>-</u>
<b>Net loss</b>	(612,577)	(437,289)
<b>Other comprehensive loss</b>		
Unrealized loss on investment (Note 4)	<u>(40,000)</u>	<u>-</u>
<b>Comprehensive loss for the year</b>	<u>\$ (652,577)</u>	<u>\$ (437,289)</u>
<b>Basic and diluted loss per common share</b>	<u>\$ (0.04)</u>	<u>\$ (0.04)</u>
<b>Weighted average number of common shares outstanding</b>	<u>18,299,048</u>	<u>11,463,387</u>

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

**SORRENTO RESOURCES LTD.**  
**STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)  
**FOR THE YEARS ENDED JUNE 30,**

	<b>2024</b>	<b>2023</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the year	\$ (612,577)	\$ (437,289)
Items not affecting cash:		
Directors' fees payable in shares	-	42,750
Gain on sale of mineral property	(92,597)	-
Impairment on mineral property	69,098	-
Changes in non-cash working capital items:		
Accounts receivable	382	(15,125)
Accounts payable and accrued liabilities	191,074	(29,872)
Prepaid expenses and deposits	<u>111,336</u>	<u>(153,468)</u>
Net cash used in operating activities	<u>(333,284)</u>	<u>(593,004)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Mineral property interests - received	60,000	-
Mineral property interests - paid	<u>(50,000)</u>	<u>(50,000)</u>
Net cash provided (used) in investing activities	<u>10,000</u>	<u>(50,000)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Initial public offering ("IPO")	-	854,753
Over-allotment exercised	-	128,213
Warrants exercised	20,000	-
Share issuance costs	<u>-</u>	<u>(279,407)</u>
Net cash provided by financing activities	<u>20,000</u>	<u>703,559</u>
<b>Change in cash for the year</b>	<b>(303,284)</b>	<b>60,555</b>
<b>Cash, beginning of year</b>	<u><b>322,545</b></u>	<u><b>261,990</b></u>
<b>Cash, end of year</b>	<u><b>\$ 19,261</b></u>	<u><b>\$ 322,545</b></u>
<b>Supplemental cash flow information</b>		
Agent's options issued	\$ -	\$ 59,057
Cash paid for taxes	\$ -	\$ -
Cash paid for interest	\$ -	\$ -
Change in fair value of investment	\$ 40,000	\$ -
Deferred financing costs reclassified to share issuance costs	\$ -	\$ 33,375
Share consideration received for mineral property interests	\$ 140,000	\$ -
Shares issued for mineral property	<u>\$ 260,000</u>	<u>\$ 475,000</u>

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

**SORRENTO RESOURCES LTD.**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Expressed in Canadian Dollars)

	<u>Share Capital</u>		<u>Obligation to issue shares</u>	<u>Reserves</u>	<u>Accumulated comprehensive other loss</u>	<u>Deficit</u>	<u>Total</u>
	<u>Number</u>	<u>Amounts</u>					
<b>Balance, June 30, 2022</b>	9,166,666	\$ 503,941	\$ -	\$ -	\$ -	\$ (225,379)	\$ 278,562
IPO	4,884,300	854,753	-	-	-	-	854,753
Over-allotment exercised	732,645	128,213	-	-	-	-	128,213
Shares issued on mineral property	2,000,000	475,000	-	-	-	-	475,000
Share issuance costs	-	(371,839)	-	59,057	-	-	(312,782)
Obligation to issue shares	-	-	42,750	-	-	-	42,750
Net loss and comprehensive loss for the year	-	-	-	-	-	(437,289)	(437,289)
<b>Balance, June 30, 2023</b>	16,783,611	1,590,068	42,750	59,057	-	(662,668)	1,029,207
Warrants exercised	400,000	20,000	-	-	-	-	20,000
Shares issued on mineral property	2,000,000	260,000	-	-	-	-	260,000
Directors' fee paid in shares	225,000	42,750	(42,750)	-	-	-	-
Net loss and comprehensive loss for the year	-	-	-	-	(40,000)	(612,577)	(652,577)
<b>Balance, June 30, 2024</b>	19,408,611	\$ 1,912,818	\$ -	\$ 59,057	\$ (40,000)	\$ (1,275,245)	\$ 656,630

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



**SORRENTO RESOURCES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Sorrento Resources Ltd. (the “Company”) was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on October 4, 2021. The Company maintains its registered office at 830 – 999 West Broadway, Vancouver, British Columbia, Canada V5Z 1K5. The head office and principal address of the Company is 9285 – 203B Street, Langley, British Columbia, Canada V1M 2L9. The Company is in the business of exploration, development and exploitation of mineral resources in Canada.

The recoverability of amounts shown as mineral properties is dependent upon the discovery of economically recoverable reserves, the Company’s ability to obtain financing to develop the properties and the ultimate realization of profits through future production or sale of the properties. Realized values may be substantially different than carrying values as recorded in these financial statements.

As at June 30, 2024, the Company has an accumulated deficit of \$1,275,245 (2023 - \$662,668). The Company reported a net loss of \$612,577 (2023 - \$437,289) and negative cashflows from operations of \$333,284 (2023 - \$593,004) for the year ended June 30, 2024. The Company’s ability to continue as a going concern is dependent upon its ability to raise funds primarily through the issuance of shares or achieve profitable operations. The outcome of these matters cannot be predicted at this time. If the Company is unable to obtain additional financing, management may be required to curtail certain expenses. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern. Accordingly, these financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

**2. BASIS OF PREPARATION**

**Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on a going concern basis as issued by the International Accounting Standards Board (“IASB”), which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

**Basis of presentation**

The financial statements have been prepared on a historical cost basis, except for certain financial instruments classified as financial instruments at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

**Use of judgments and estimates**

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Estimates and judgments 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. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

**SORRENTO RESOURCES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

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**2. BASIS OF PREPARATION** (*cont'd...*)

**Use of judgments and estimates** (*cont'd...*)

The key areas of judgment applied in the preparation of the financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities 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 its ongoing operating expenditures and to 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.

- Recovery of capitalized mineral property costs

The Company capitalizes mining property acquisition costs which are to be amortized when production is attained or the balance thereof written off should the property be disproven through exploration or abandoned. The carrying value of the Company's mineral property is reviewed by management at least annually, or whenever events or circumstances indicate that its carrying value may not be recovered. If impairment is determined to exist, a formal estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount.

The key estimate applied in the preparation of financial statements is assumptions used in the calculation of the fair value assigned to options. The Company uses the Black-Scholes option pricing model for valuation of options. Option pricing models require the input of subjective assumptions, including expected price volatility, interest rate and forfeiture rate. Changes in input assumptions can materially affect the fair value estimate and the Company's equity reserves.

**3. MATERIAL ACCOUNTING POLICIES**

**Mineral Properties**

- i) Exploration and Evaluation

Staking costs, property option payments, and other costs associated with acquiring exploration and evaluation assets are capitalized and classified as non-current assets, whereas exploration and evaluation expenditures are recognized as expenses as they are incurred during the year.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all non-recoverable costs associated with the project net of any impairment provisions are written off.

**3. MATERIAL ACCOUNTING POLICIES** (*cont'd...*)

**Mineral Properties** (*cont'd...*)

ii) Impairment

The carrying value of all categories of mineral property are reviewed at each reporting date by management for indicators that the recoverable amount may be less than the carrying value. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash-generating unit (“CGU”), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU’s fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent the carrying amount exceeds the recoverable amount.

Value-in-use is based on estimates of discounted future cash flows expected to be recovered from an asset or CGU through their use. Estimated future cash flows are calculated using estimates of future recoverable reserves and resources, future commodity prices and expected future operating and capital costs. Once calculated, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Fair value less costs to sell is the amount obtainable from either quotes from an active market or the sale of an asset or CGU in an arm’s length transaction between knowledgeable and willing parties, less the costs of disposal. Costs of disposal are incremental costs directly attributable to the disposal of an asset or CGU, excluding finance costs and income tax expense.

Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit or group of units on a pro rata basis. Impairment losses are recognized in other expenses. Assumptions, such as commodity prices, discount rate, and expenditures, underlying the fair value estimates are subject to risk uncertainties. Impairment charges are recorded in the reporting period in which determination of impairment is made by management.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depletion or amortization, if no impairment loss had been recognized.

**Provisions**

*Asset retirement obligation*

The Company recognizes provisions for statutory, contractual, constructive, or legal obligations associated with the decommissioning and reclamation of mine properties, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. A liability is recognized at the time environmental disturbance occurs and the resulting costs are capitalized to the corresponding asset. The provision for asset retirement obligations is estimated using expected cash flows and is discounted at the applicable risk-free interest rate. The capitalized amount is amortized on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows.

In subsequent periods, the liability is adjusted for any changes in the amount or timing of the estimated future cash costs and for the accretion of discounted underlying future cash flows. The unwinding of the effect of discounting the provision is recorded as an expense in profit or loss.

**SORRENTO RESOURCES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**3. MATERIAL ACCOUNTING POLICIES** (*cont'd...*)

**Share Capital**

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on estimated fair value of the common shares at the time the units are priced, and any excess is allocated to warrants using the residual value approach.

Shares issued as consideration for goods or services provided to those other than employees or others providing similar services are measured at the fair value of the goods or services received, except where the fair value cannot be measured reliably, in which case they are measured at the fair value of the equity instruments granted.

**Share-based Payments**

The Company has a stock option plan as described in Note 6(c). Share-based payments to employees are measured at the fair value of the instruments issued using the Black-Scholes option pricing model and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to reserves.

Consideration received on the exercise of stock options is recorded as share capital and the related reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from reserve. For those unexercised options that expire, the recorded value is transferred to deficit.

**Loss Per Share**

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of shares outstanding in the period. For all periods presented, the loss available to common shareholders equals the reported loss. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted loss per share is the same as basic loss per share, as the effects of including all outstanding options and warrants would be anti-dilutive. Shares subject to escrow restrictions are excluded from the weighted average number of common shares unless their release is subject only to the passage of time.

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**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

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**3. MATERIAL ACCOUNTING POLICIES** (*cont'd...*)

**Financial Instruments**

Financial assets

The Company classifies its financial assets in the following categories: fair value through profit or loss, amortized cost or fair value through other comprehensive income. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded in profit or loss. The Company does not have any financial assets designated as fair value through profit or loss.

*Amortized cost*

Financial assets are classified at amortized cost if both of the following criteria are met and the financial assets are not classified or designated as fair value through profit and loss: 1) the Company's objective for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent 'solely payments of principal and interest'. The Company's cash is recorded at amortized cost as it meets the required criteria.

*Fair value through other comprehensive income ("OCI")*

For financial assets that are not held for trading, the Company can make an irrevocable election at initial recognition to classify the instruments at fair value through other comprehensive income ("FVOCI"), with all subsequent changes in fair value being recognized in other comprehensive income. This election is available for each separate investment. Under this category, fair value changes are recognized in OCI while dividends are recognized in profit or loss. The Company's investment is recorded at FVOCI.

Financial liabilities

Financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities.

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

**SORRENTO RESOURCES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
**FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

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**4. INVESTMENT**

During the year ended June 30, 2024, the Company received 1,000,000 common shares of Gold Hunter Resources Inc. (“Gold Hunter”), an arm’s length party, in connection with a property purchase agreement (“PPA”). The Company is a non-significant shareholder following the receipt of these common shares. Further details are included in Note 5.

The shares of Gold Hunter had a market value of \$140,000 upon acquisition and are classified as financial assets measured at FVOCI. At June 30, 2024, the shares of Gold Hunter had a fair value of \$100,000, resulting in a change in fair value of \$40,000 for the year ended June 30, 2024 recognized through other comprehensive loss.

**5. MINERAL PROPERTIES**

Title to mineral properties involves inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently unreliable conveyance history characteristics of many mineral properties. The Company has investigated title of all of its mineral properties and to the best of its knowledge the properties are in good standing.

**Wing Pond Project, Newfoundland, Canada**

On November 9, 2021, and subsequently amended on October 28, 2022, the Company entered into an option agreement (the “Wing Pond Agreement”), with unrelated parties (the “Wing Pond Optionors”), to acquire a 100% interest in 462 mining claims located in Newfoundland.

In order to exercise the option and acquire the Wing Pond property, the Company must complete, over a period of two years, the following payments:

- Make a cash payment of \$35,000 within 21 days of signing the Wing Pond Agreement (paid);
- Incur \$90,000 of exploration expenditures on the claims and deliver the technical report, on or before November 30, 2022 (completed);
- Issue 1,000,000 common shares to the optionors on or before the earlier of (i) listing of the Company’s common shares on the Canadian Securities Exchange, and (ii) April 30, 2023 (issued); and
- Make a further cash payment of \$50,000 and issue a further 2,000,000 common shares to the Wing Pond Optionors and incur a further \$200,000 of exploration expenditures (incurred) on the claims on or before the earlier of (i) the first anniversary of the listing date, and (ii) November 30, 2023 (paid and issued).

During the year ended June 30, 2023, the Company had advanced a deposit of \$153,180 on the Wing Pond Project, which has been fully applied against work programs in the year ended June 30, 2024.

During the year ended June 30, 2024, the Company fully exercised its option to acquire the Wing Pond property. The Company now holds 100% interest in and to the Wing Pond property, subject to a 3% net smelter returns royalty, of which the Company may repurchase 2% at any time for \$1,000,000.

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**5. MINERAL PROPERTIES** (cont'd...)

**Central and Northern Peninsula Projects, Newfoundland, Canada**

On June 13, 2023, the Company entered into a PPA with Gold Hunter, a public company under the laws of British Columbia. The Company completed its acquisition with Gold Hunter of a 100% interest in a portion of the claims comprising PEG Lithium, Harmsworth and Tom Joe properties (“Central Peninsula Projects”), as well as three properties along the Doucers Valley Fault, Jackson Arm, Silver Mountain and Taylor’s Pond (“Northern Peninsula Projects”).

The Company paid Gold Hunter \$50,000 in cash and issued 1,000,000 common shares. The Company also granted a 1% net smelter returns royalty to Gold Hunter (the “Gold Hunter NSR”).

The properties are also subject to a 2% net smelter returns royalty held by Fair Haven Resources Inc. (the “Fair Haven NSR”). The Fair Haven NSR is subject to the right to buy back 50% of the NSR at any time for \$1,000,000. The Company will also have the right to buy back 50% of the Gold Hunter NSR at any time for \$1,000,000. Both the Fair Haven NSR and Gold Hunter NSR are subject to rights of first refusal in favor of the Company in connection with any proposed sale or transfer of such royalty.

On June 10, 2024, the Company entered into a PPA with Gold Hunter for the sale of its Northern Peninsula Projects.

The Company received \$60,000 in cash and was issued 1,000,000 common shares in the capital of Gold Hunter (Note 4). In connection with the sale, the Company recognized a gain on sale of property of \$92,597 and the Gold Hunter NSR was terminated.

During the year ended June 30, 2024, the Company had advanced a deposit of \$20,020 on the PEG Lithium property and \$4,701 on the Harmsworth property, which remains in prepaid expenses and deposits. The Company determined indicators of impairment existed with respect to the Tom Joe property leading to a test of a recoverable amount, which resulted in an impairment expense of \$69,098 in accordance with Level 3 of the fair value hierarchy.

**Mineral Property Interests**

Details of mineral property balance is as follows:

	Wing Pond	PEG	Harmsworth	Tom Joe	Jackson’s Arm	Silver Mountain	Taylor’s Pond	Total
Balance, June 30, 2022	\$ 35,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,000
Option payments – cash	-	19,421	5,365	9,871	4,614	1,824	8,905	50,000
Option payments – shares	175,000	116,524	32,189	59,227	27,682	10,944	53,434	475,000
Balance, June 30, 2023	210,000	135,945	37,554	69,098	32,296	12,768	62,339	560,000
Option payments – cash	50,000	-	-	-	-	-	-	50,000
Option payments – shares	260,000	-	-	-	-	-	-	260,000
Impairment	-	-	-	(69,098)	-	-	-	(69,098)
Sale of property	-	-	-	-	(32,296)	(12,768)	(62,339)	(107,403)
Balance, June 30, 2024	\$ 520,000	\$ 135,945	\$ 37,554	\$ -	\$ -	\$ -	\$ -	\$ 693,499

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**5. MINERAL PROPERTIES** *(cont'd...)*

**Exploration Expenditures**

The Company expended the following exploration and evaluation expenditures:

*Years ended June 30, 2024 and 2023*

	Wing Pond		PEG		Tom Joe		Harmsworth		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Assays	\$ -	\$ -	\$ 18,678	\$ -	\$ 6,208	\$ -	\$ -	\$ -	\$ 24,886	\$ -
Field office	10,251	989	1,000	-	815	-	-	-	12,066	989
Geological and geophysical	146,928	47,023	41,356	-	30,563	-	2,000	-	220,847	47,023
Staking	2,405	5,330	-	-	-	-	-	-	2,405	5,330
Technical report	-	1,950	-	-	-	-	-	-	-	1,950
Travel, logistics & camp costs	4,686	14,429	315	-	-	-	-	-	5,001	14,429
<b>Total exploration expenditures</b>	<b>\$ 164,270</b>	<b>\$ 69,721</b>	<b>\$ 61,349</b>	<b>\$ -</b>	<b>\$ 37,586</b>	<b>\$ -</b>	<b>\$ 2,000</b>	<b>\$ -</b>	<b>\$ 265,205</b>	<b>\$ 69,721</b>

The Company did not incur exploration and evaluation expenditures on the Northern Peninsula Projects during the years ended June 30, 2024 and 2023.



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**6. SHARE CAPITAL**

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

*Year ended June 30, 2024*

On September 12, 2023, the Company issued 225,000 shares at a price of \$0.19 per share for an aggregate value of \$42,750 to non-executive directors recorded as obligation to issue shares at June 30, 2023.

On November 30, 2023, the Company issued 2,000,000 common shares fair valued at \$260,000 in accordance with the Wing Pond Agreement (Note 5).

On January 23, 2024, 250,000 warrants were exercised for gross proceeds of \$12,500.

On January 30, 2024, 150,000 warrants were exercised for gross proceeds of \$7,500.

*Year ended June 30, 2023*

On February 23, 2023, the Company completed its IPO and concurrent listing of the common shares in the capital of the Company on the Canadian Securities Exchange. Leede Jones Gable Inc. (the "Agent") acted as lead agent and sole bookrunner for the Company in connection with the IPO of the Company.

The IPO completed with the issuance of 4,884,300 common shares at an offering price of \$0.175 per common share for gross proceeds of \$854,753. As compensation for services rendered by the Agent in connection with the IPO, the Company paid a cash commission of \$76,928 and issued an aggregate of 439,587 non-transferable agent's options to acquire up to 439,587 common shares at a price of \$0.175 per common share until February 23, 2025. In addition, the Company paid a corporate finance fee of \$35,000 in cash, plus applicable taxes. The Company incurred other share issuance costs of \$186,379 of which \$33,375 had been recorded as deferred financing costs as at June 30, 2022.

The agent's options were valued at \$42,785 using the Black-Scholes inputs: risk-free interest rate of 4.20%, volatility of 103.80%, expected dividend rate of 0%, and expected life of 2 years. The expected volatility assumption is based on comparable public companies as the Company has limited trading history. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the expected life of the instrument.

Concurrently, the Company issued 1,000,000 common shares fair valued at \$175,000 in accordance with the Wing Pond Agreement (Note 5).

On March 21, 2023, the Agent exercised its over-allotment option in full in connection with the IPO. The Company issued 732,645 common shares to the Agent at a price of \$0.175 per share for gross proceeds of \$128,213. The Company paid a cash commission of \$11,539 and issued an aggregate of 65,938 non-transferable agent's options to acquire up to 65,938 common shares at a price of \$0.175 per common share until March 21, 2025. The Company incurred other share issuance costs of \$2,936.

The agent's options were valued at \$16,272 using the Black-Scholes inputs: risk-free interest rate of 3.70%, volatility of 104.95%, expected dividend rate of 0%, and expected life of 2 years. The expected volatility assumption is based on comparable public companies as the Company has limited trading history. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the expected life of the instrument.

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**6. SHARE CAPITAL** (*cont'd...*)

b) Issued share capital (*cont'd...*)

*Year ended June 30, 2023 (cont'd...)*

On June 13, 2023, the Company issued 1,000,000 common shares fair valued at \$300,000 in accordance with the Gold Hunter PPA (Note 5).

*Shares in escrow*

Pursuant to an escrow agreement dated December 22, 2022, the directors of the Company agreed to deposit 5,216,666 common shares in escrow. Under the terms of the escrow agreement, 10% of the escrowed securities will be released from escrow on the listing date of the Company's common shares on the TSX Venture Exchange. The listing date was February 28, 2023. An additional 15% will be released from escrow on the dates which are 6 months, 12 months, 18 months, 24 months, 30 months, and 36 months following the listing date.

At June 30, 2024, there were 2,572,500 (2023 - 4,695,000) common shares held in escrow.

c) Omnibus Share Incentive Option Plan

On November 6, 2023, the Company's shareholders approved an Omnibus Share Incentive Option Plan (the "Option Plan"), replacing the stock option plan that was adopted on July 21, 2022. The Option Plan includes the providing for the grant of options ("Options"), restricted share units ("RSUs"), performance share units ("PSUs" and together with RSUs, "Share Units") and deferred share units ("DSUs" and together with the Options and Share Units, "Awards"). Under the Option Plan, it includes a rolling stock option plan component that sets the maximum number of common shares reserved for issuance, in the aggregate, pursuant to the exercise of Awards granted under the Option Plan at 10% of the outstanding number of common shares issued and outstanding on a non-diluted basis from time to time.

At June 30, 2024 and 2023, 505,525 agent options were outstanding under this Option Plan.

d) Warrants

The following is a summary of the changes to the Company's outstanding warrants:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2022 and 2023	2,650,000	\$ 0.05
Exercised	(400,000)	0.05
<b>Balance, June 30, 2024</b>	<b>2,250,000</b>	<b>\$ 0.05</b>

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**6. SHARE CAPITAL** (*cont'd...*)

d) Warrants (*cont'd...*)

Summary of warrants outstanding as at June 30, 2024 and 2023:

June 30, 2024	June 30, 2023	Exercise Price	Expiry Date
		\$	
1,000,000 <sup>(1)</sup>	1,000,000	0.05	November 19, 2024
300,000	300,000	0.05	December 3, 2024
950,000 <sup>(2)</sup>	1,350,000	0.05	December 14, 2024
<u>2,250,000</u>	<u>2,650,000</u>		

(1) 500,000 exercised subsequent to the year ended June 30, 2024 (Note 12).

(2) 300,000 exercised subsequent to the year ended June 30, 2024 (Note 12).

The weighted average remaining contractual life of the warrants is 0.42 (2023 - 1.43) years.

e) Agent Options

The following is a summary of changes to the Company's outstanding agent options:

	Number of Agent Options	Weighted Average Exercise Price
Balance, June 30, 2022	-	\$ -
Issued	<u>505,525</u>	<u>0.175</u>
Balance, June 30, 2023 and 2024	<u>505,525</u>	<u>\$ 0.175</u>

Summary of agent options outstanding June 30, 2024 and 2023:

June 30, 2024	June 30, 2023	Exercise Price	Expiry Date
		\$	
439,587	439,587	0.175	February 23, 2025
65,938	65,938	0.175	March 21, 2025
<u>505,525</u>	<u>505,525</u>		

The weighted average remaining contractual life of the agent options is 0.66 (2023 - 1.66) years.

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**7. RELATED PARTY TRANSACTIONS**

Key management personnel are comprised of the officers and directors of the Company. Amounts paid or accrued to key management personnel are as follows:

<b>Payments to key management personnel</b>	<b>For the year ended June 30, 2024</b>	<b>For the year ended June 30, 2023</b>
Consulting fees	\$ 60,000	\$ 32,000
Directors' fees <sup>(1)</sup>	\$ 30,000	\$ 50,250
Exploration expenses – geologist	\$ 20,000	\$ -
Management fees	\$ 90,000	\$ 70,000

(1) Directors' fees include \$nil (2023 - \$42,750) in shares (Note 6).

As at June 30, 2024, \$48,250 (2023 - \$nil) was included in accounts payable and accrued liabilities owing to key management personnel. These amounts are non-interest bearing and due on demand.

In the year ended June 30, 2024, the Company issued 225,000 common shares at a value of \$42,750 to settle non-executive directors' fees accrued in the year ended June 30, 2023.

**8. INCOME TAXES**

	<b>For the year ended June 30, 2024</b>	<b>For the year ended June 30, 2023</b>
Net loss before income tax	\$ (612,577)	\$ (437,289)
Statutory income tax rate	27.00%	27.00%
Expected income tax recovery	\$ (165,000)	\$ (118,000)
Share issuance costs	-	(84,000)
Changes in benefits not recognized	165,000	202,000
Income tax expense (recovery)	\$ -	\$ -

The Company recognizes tax benefits on losses or other deductible amounts where the probable criteria for the recognition of deferred tax assets has been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	<b>For the year ended June 30, 2024</b>	<b>For the year ended June 30, 2023</b>
Non-capital losses	\$ 253,000	\$ 146,000
Exploration and evaluation assets	93,000	22,000
Marketable securities	40,000	-
Share issue costs and other	52,000	69,000
Unrecognized deductible temporary differences	\$ 438,000	\$ 237,000

As at June 30, 2024, the Company has Canadian non-capital losses of \$937,000 that may be applied to reduce future taxable income. If these losses are not used to offset future income, they will expire through the year ended June 30, 2044.

## **9. FINANCIAL INSTRUMENTS AND RISK MANAGERMENTS**

### **Financial instruments**

The Company's financial instruments consist of cash, investment, and accounts payable and accrued liabilities. The fair value of cash and accounts payable and accrued liabilities are carried at amortized cost which approximates their fair value due to the short-term nature of the financial instruments. The fair value of the investment is determined using Level 1 of the fair value hierarchy.

Fair value estimates of financial instruments are made at a specific point in time based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

#### *Credit risk*

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. As the Company's policy is to limit cash holdings to instruments issued by a major Canadian bank, the credit risk is considered by management to be negligible. The Company considers credit risk with respect to these amounts to be low.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. As at June 30, 2024, the Company had working capital deficiency of \$136,869 (2023 - working capital of \$469,207). The Company's financial obligations are limited to accounts payable and accrued liabilities, which have contractual maturities of less than a year.

#### *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 has no-interest bearing debt. The Company is not exposed to interest rate risk as at June 30, 2024.

#### *Commodity price risk*

The Company's future success is linked to the price of minerals because the value of mineral resources and the Company's future revenues are tied to prices of minerals. Worldwide production levels also affect the prices. The prices of minerals are occasionally subject to rapid short-term changes due to speculative activities.

#### *Foreign currency risk*

As at June 30, 2024, the Company did not have any accounts in foreign currencies and considers foreign currency risk to be insignificant. The Company may be exposed to foreign currency risk on fluctuations related to cash and accounts payable and accrued liabilities that are denominated in a foreign currency in the future.

#### *Other price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk). The Company has an investment in Gold Hunter. At June 30, 2024, the Company had an investment with a fair value of \$100,000. A 10% movement would have impacted other comprehensive loss by approximately \$10,000. As such, other price risk will have an impact to the Company's comprehensive net loss.

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**10. CAPITAL MANAGEMENT**

The Company's capital management policy is to maintain a strong but flexible capital structure that optimizes the cost of capital, creditor and market confidence while sustaining the future development of the business.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Company's capital structure includes shareholders' equity of \$656,630 (2023 - \$1,029,207) as at June 30, 2024. In order to maintain or adjust the capital structure, the Company may from time-to-time issue shares, seek debt financing and adjust its capital spending to manage current and working capital requirements. The Company did not change its capital management policy during the year ended June 30, 2024. The Company is not subject to externally imposed capital requirements.

**11. SEGMENTED INFORMATION**

The Company has one operating segment, the exploration and development of mineral resources, and all non-current assets are located in Canada.

**12. SUBSEQUENT EVENTS**

Subsequent to the year ended June 30, 2024, the Company:

- Issued 800,000 common shares from warrant exercises for gross proceeds of \$40,000.
- Issued 25,000 common shares for services at a price of \$0.20 per share.
- Completed the acquisition of a 100% undivided interest in the minerals licenses collectively representing the Lord Baron copper project (the "Project") located in the province of Newfoundland and Labrador (the "Transaction"). The Transaction was completed pursuant to three separate purchase agreements with arm's length parties for aggregate consideration of \$47,500 in cash and the issuance of an aggregate of 4,300,000 common shares of the Company as well as the grant of 2% net smelter returns royalties to the underlying vendors of the various mineral licenses representing the Project. No finder's fees were paid in connection with the Transaction.