

**BGX - Black Gold Exploration Corp.**

(Formerly 1280582 BC Ltd.)

Consolidated Financial Statements

For the years ended

December 31, 2023 and 2022

(Expressed in Canadian Dollars)

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Financial Statements

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**INDEPENDENT AUDITORS' REPORT**

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To the Shareholders of BGX – Black Gold Exploration Corp.

**Report on the Audit of the Consolidated Financial Statements****Opinion**

We have audited the consolidated financial statements of BGX – Black Gold Exploration Corp. (the “Company”), which comprise the consolidated statements of financial position as at December 31, 2023 and December 31, 2022, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

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 December 31, 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 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, and 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**

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current year. 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.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

**Acquisition of Exploration and Evaluation Assets (“E&E Assets”)**

We draw attention to Note 3 and Note 7 of the consolidated financial statements related to E&E Assets.

We identified the acquisition of E&E Assets as a key audit matter since this matter represented an area of higher assessed risk of material misstatement given the judgement required in management's assessment of the acquisition as an asset acquisition. This in turn led to a high degree of auditor judgement, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgements made by management in their assessment of the acquisition transaction, calculating the fair value of the consideration paid and the assets and liabilities assumed.

The primary procedures we performed to address this key audit matter included, but was not restricted to, the following:

- Obtained and examined management's accounting assessment of the transaction in accordance with IFRS 3.
- Obtained and examined the relevant transaction documents to understand terms, facts and circumstances related to the acquisition transaction.
- Assessed the fair values of the common shares issued for the consideration paid, as well as the fair values determined for the any assets acquired and liabilities assumed in accordance with IFRS 2.

#### Assessment of Impairment Indicators of Exploration and Evaluation Assets ("E&E Assets")

We draw attention to Note 3 and Note 7 of the consolidated financial statements related to E&E Assets.

We identified the assessment of impairment indicators of E&E Assets as a key audit matter since this matter represented an area of higher assessed risk of material misstatement given the judgement required in management's assessment relating to the assets' carrying amount which is impacted by the Company's intent and ability to explore and evaluate these assets. This in turn led to a high degree of auditor judgement, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgements made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the E&E Assets.

The primary procedures we performed to address this key audit matter included, but was not restricted to, the following:

- Obtained an understanding of the key controls associated with evaluating the E&E Assets for indicators of impairment. Evaluated management's assessment of indicators of impairment.
- Evaluated the intent for the E&E Assets through discussion and communication with management.
- Reviewed the Company's recent expenditure activity and expenditure budgets for future periods.
- Performed procedures over title to ensure petroleum rights underlying the E&E Assets are in good standing.

#### **Information other than the Consolidated Financial Statements and the Auditor's Report thereon**

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in Management's Discussion and Analysis report.

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 identified above 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 report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. 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 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.

#### **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 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 consolidated 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 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 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;
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements.

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.

The engagement partner on the audit resulting in this independent auditor's report is Junaid Hassam.



Vancouver, British Columbia  
April 9, 2024

Buckley Dodds CPA  
Chartered Professional Accountants

**BGX - Black Gold Exploration Corp.**

Consolidated Statements of Financial Position

As at December 31, 2023 and 2022

(Expressed in Canadian Dollars)

	2023	2022
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	21,607	1,230,224
Investment GIC (Note 6)	967,986	-
Receivables	12,229	2,009
<b>Total Current Assets</b>	<b>\$ 1,001,822</b>	<b>\$ 1,232,233</b>
<b>Non-current assets</b>		
Exploration and evaluation asset (Note 7)	2,108,848	-
<b>TOTAL ASSETS</b>	<b>\$ 3,110,670</b>	<b>\$ 1,232,233</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 8)	80,662	19,487
Subscription received in advance (Note 9)	686,874	819,819
<b>Total Current Liabilities</b>	<b>\$ 767,536</b>	<b>\$ 839,306</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 9)	2,535,000	435,000
Special warrants (Note 9)	135,941	-
Deficit	(327,807)	(42,073)
<b>Total Shareholders' Equity</b>	<b>2,343,134</b>	<b>392,927</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 3,110,670</b>	<b>\$ 1,232,233</b>

Nature of operations and going concern (Note 1)

Approved by the Board of Director on April 9, 2024:

*"/s/ Michael Sato",* Director*"/s/ Francisco Gulisano",* Director and CEO

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

**BGX - Black Gold Exploration Corp.**  
Consolidated Statements of Loss and Comprehensive Loss  
For the years ended December 31, 2023 and 2022  
(Expressed in Canadian Dollars)

	2023	2022
<b>Operating Expenses</b>		
Advertisement and promotions	-	5,000
Audit fees	30,750	-
Consulting and management fees (Note 8)	73,809	-
General administration	1,879	10,584
Legal fees	66,172	3,382
Professional fees	116,571	16,000
Regulatory fees	22,735	346
Travel expense	7,992	-
<b>Total operating expenses</b>	<b>\$ 319,908</b>	<b>35,312</b>
<b>Loss before other income</b>	<b>\$ (319,908)</b>	<b>(35,312)</b>
<b>Other Income</b>		
Foreign exchange gain	5,579	-
Interest income (Note 6)	28,595	-
<b>Net loss and comprehensive loss</b>	<b>\$ (285,734)</b>	<b>\$ (35,312)</b>
<b>Loss per share – basic and diluted</b>	<b>\$ (0.08)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of shares outstanding – basic and diluted</b>	<b>3,568,356</b>	<b>2,375,890</b>

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

**BGX - Black Gold Exploration Corp.**

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

	<b>Share Capital</b>				
	<b>Number</b>	<b>Amount</b>	<b>Special Warrants</b>	<b>Deficit</b>	<b>Total</b>
<b>Balance at December 31, 2021</b>	<b>500,000</b>	<b>\$ 25,000</b>	<b>\$ 410,000</b>	<b>(6,761)</b>	<b>\$ 428,239</b>
Conversion of special warrants (Note 9)	2,050,000	410,000	(410,000)	-	-
Net loss for the year	-	-	-	(35,312)	(35,312)
<b>Balance at December 31, 2022</b>	<b>2,550,000</b>	<b>435,000</b>	<b>-</b>	<b>(42,073)</b>	<b>392,927</b>
Shares issued for exploration and evaluation asset (Note 7, 9)	2,100,000	2,100,000	-	-	2,100,000
Special warrants issued (Note 9)	-	-	135,941	-	135,941
Net loss for the year	-	-	-	(285,734)	(285,734)
<b>Balance at December 31, 2023</b>	<b>4,650,000</b>	<b>2,535,000</b>	<b>135,941</b>	<b>(327,807)</b>	<b>2,343,134</b>

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

**BGX - Black Gold Exploration Corp.**

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

	2023	2022
<b>Operating Activities</b>		
Net loss	\$ (285,734)	(35,312)
Items not involving cash:		
Interest income	(3,909)	-
Changes in non-cash working capital:		
Receivables	(10,220)	(1,701)
Accounts payable and accrued liabilities	61,175	15,954
Due to shareholders	-	(352)
<b>Net cash used in operating activities</b>	<b>\$ (238,688)</b>	<b>(21,411)</b>
<b>Financing Activities</b>		
Subscription received in advance	2,996	819,819
<b>Net cash from financing activities</b>	<b>\$ 2,996</b>	<b>819,819</b>
<b>Investing Activities</b>		
Investment GIC	(964,077)	-
Exploration and evaluation assets	(8,848)	-
<b>Net cash used in investing activities</b>	<b>\$ (972,925)</b>	<b>-</b>
<b>Change in cash during the year</b>	<b>(1,208,617)</b>	<b>798,408</b>
<b>Cash beginning of the year</b>	<b>1,230,224</b>	<b>431,816</b>
<b>Cash, ending of the year</b>	<b>\$ 21,607</b>	<b>1,230,224</b>
<b>Cash (paid) received for:</b>		
Interest	\$ 24,686	-
Taxes	\$ -	-
<b>Non-cash transactions affecting cash flows from investing and financing activities:</b>		
Shares issued for exploration and evaluation asset (Note 7)	\$ 2,100,000	-

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

# **BGX - Black Gold Exploration Corp.**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian Dollars)

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## **1. Nature of Operations and Going Concern**

BGX - Black Gold Exploration Corp. (formerly 1280582 BC Ltd.) (the “Company”) was incorporated on December 21, 2020 in the Province of British Columbia. On February 24, 2022, the Company’s name changed from 1280582 BC Ltd. to BGX - Black Gold Exploration Corp. The Company is in the business of acquiring and exploring oil and gas assets. The registered office of the Company is located at 6<sup>th</sup> floor- 905 West Pender Street Vancouver, BC V6C 1L6.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern under International Financial Reporting Standards (“IFRS”). The use of these principles under IFRS assumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge its liabilities in the normal course of operation.

The Company has incurred net losses since inception and as at December 31, 2023 has a deficit of \$327,807 (December 31, 2022 of \$42,073). The Company’s continuation as a going concern is dependent upon its ability to develop and attain profitable operations and generate funds from therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with loans from directors and/or private placement of common shares. These factors indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern.

These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded assets amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

# **BGX - Black Gold Exploration Corp.**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian Dollars)

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## **2. Statement of Compliance and Basis of Presentation**

### **Statement of compliance**

These consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). The consolidated financial statements were authorized for issue by the Board of Directors on April 9, 2024.

### **Basis of presentation**

These consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, except for certain financial instruments which may be measured at fair value in subsequent periods and have been prepared using the accrual basis of accounting except for cash flow information.

### **Basis of consolidation**

These consolidated financial statements include the financial statements of the Company and the entity controlled by the Company: Spinell S.A. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intercompany transactions and balances have been eliminated.

### **Functional and presentation currency**

All amounts in these consolidated financial statements are presented in Canadian dollars, the functional currency of the Company. The Company considers the primary and secondary indicators as part of its decision-making process. The financial statements are presented in Canadian dollars, which is the functional currency of the Company.

### **Significant accounting estimates and judgements**

#### Significant estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions concerning the future. The Company’s management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting period include, but are not limited to, the following:

# **BGX - Black Gold Exploration Corp.**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian Dollars)

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## **2. Statement of Compliance and Basis of Presentation (Continued)**

### *Deferred Tax Assets & Liabilities*

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income, which in turn is dependent upon the successful operations. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

### *Recoverability of exploration and evaluation assets*

The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable hydrocarbon reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves, and upon future production or proceeds from the disposition thereof.

### *Business combination or asset acquisition*

With an acquisition, the Company has to determine whether it should be accounted for as a business combination or an asset acquisition. As dictated by IFRS 3, the components of a business must include inputs, processes and outputs. Management has assessed its acquisition and has concluded that it did not include all the necessary components of a business. As such, it was recorded as an asset acquisition, being the purchase of an exploration and evaluation property.

### Significant judgements

The preparation of consolidated financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's consolidated financial statements include: the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

## **3. Material Accounting Policies**

### **Financial instruments**

#### Classification

The Company classifies its financial instruments under IFRS 9 in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments

# **BGX - Black Gold Exploration Corp.**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian Dollars)

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## **3. Material Accounting Policies (continued)**

### **Financial instruments (continued)**

that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

#### Measurement

##### *Financial assets at FVTOCI*

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in the other comprehensive income (loss).

##### *Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

##### *Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in the statement of comprehensive loss.

#### Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statement of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized

#### Derecognition

##### *Financial assets*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally

# BGX - Black Gold Exploration Corp.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian Dollars)

## 3. Material Accounting Policies (continued)

### Financial instruments (continued)

recognized in the statements of comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

#### *Financial liabilities*

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of comprehensive loss.

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

<b>Asset or Liability</b>	<b>Category</b>
Cash	FVTPL
Investment GIC	Amortized cost
Receivables	Amortized cost
Accounts payable	Amortized cost
Subscriptions received in advance	Amortized cost
Due to related parties	Amortized cost

### Cash

Cash comprises cash in bank, and funds held in trust, which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### Exploration and Evaluation Asset

All costs related to the acquisition, exploration and evaluation of the properties are capitalized and classified as intangible assets. These expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur. The Company has classified the exploration and evaluation asset as intangible assets as opposed to property plant and equipment since the assets are identifiable i.e. distinguishable from goodwill and arise from contractual rights via licensing through local governments or agreements, the Company retains control over the asset as a result of past events, and there is potential for future economic benefits. When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. The Company assesses exploration and evaluation asset for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of loss and comprehensive loss.

Once the technical feasibility and commercial viability of extracting the oil and gas resource has been determined, property is considered to be under development and is classified as "under construction". Exploration and evaluation asset are also tested for impairment before the assets are transferred to development properties.

# **BGX - Black Gold Exploration Corp.**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian Dollars)

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## **3. Material Accounting Policies (continued)**

### **Share capital**

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are recognized in equity as a reduction from the gross proceeds received from the issued shares.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a unit private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as a component of reserves.

### **Loss per share**

Basic loss per share is calculated by dividing the net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees. The effects of anti-dilutive potential units are ignored in calculating diluted earnings per share. All options and warrants are considered anti-dilutive when the Company is in a loss position.

### **Related party transactions**

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

## **4. Risk Management and Financial Instruments**

The Company's financial instruments consist of cash, short-term investments in Guaranteed Investment Certificates, receivables, accounts payable and subscriptions received in advance. Fair value of financial assets and liabilities, information related to risk management positions and discussion of risks associated with financial assets and liabilities are presented as follows:

### **Fair value**

IFRS 13 establishes a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

# **BGX - Black Gold Exploration Corp.**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian Dollars)

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## **4. Risk Management and Financial Instruments (continued)**

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and
- Level 3: inputs for the asset or liability that are not based upon observable market data.

Cash under the fair value hierarchy was recorded based on Level 1 inputs. The fair values of other financial instruments, which include short-term investments in Guaranteed Investment Certificates, receivables, accounts payable and subscriptions received in advance, approximate their carrying values due to the relatively short term maturity of these instruments.

### **Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing cash at major Canadian financial institutions. Receivables are government sales tax receivable from the Canada Revenue Agency. The Guaranteed Investment Certificates are secured investments that the Company is able to sell into cash on demand. Management believes that credit risk is minimal.

### **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due. The Company maintained cash at December 31, 2023 in the amount of \$21,607 and Guaranteed Investment Certificates of \$967,986 to meet short-term business requirements. At December 31, 2023, the Company had accounts payable of \$80,662. All of the Company's current financial liabilities have contractual maturities of less than 90 days. Liquidity risk is assessed as low.

### **Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

- (i) **Interest rate risk**  
Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The exposure to interest rates for the Company is considered minimal. The Company has no interest-bearing borrowings.
- (ii) **Foreign exchange rate risk**  
Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not currently exposed to foreign exchange risk.
- (iii) **Price risk**  
The Company is not exposed to significant price risk.

## **BGX - Black Gold Exploration Corp.**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023 and December 31, 2022

(Expressed in Canadian Dollars)

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### **5. Capital Management**

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company considers the items included in shareholders' equity as capital. The Company's primary source of capital comes from the issuance of equity instruments.

The Company manages and adjusts its capital structure when changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek to additional funding through issuance of securities or new debt. The Company may require additional capital resources to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required in the long-term but recognizes there will be risks involved that may be beyond its control. There were no changes to the Company's capital management approach during the year ended December 31, 2023. The Company is not subject to any externally imposed capital requirements.

### **6. Investment GIC**

On May 8, 2023, the Company made an investment of \$1,140,000 in a Guaranteed Investment Certificate ("GIC") that is set to mature on August 16, 2023. The GIC carries an annual interest rate of 4.2%, and the interest will be payable upon maturity.

On August 16, 2023, the GIC renewed with a balance of \$1,102,542 and a new maturity date set for November 24, 2023. The renewed GIC carries an annual interest rate of 4%, and the interest will be payable upon maturity.

On November 4, 2023, the GIC renewed with a balance of \$1,064,077 and a new maturity date set for March 3, 2024. The renewed GIC carries an annual interest rate of 4%, and the interest will be payable upon maturity.

As at December 31, 2023 the balance of GIC was \$967,986 (December 31, 2022 - \$nil) and the Company accrued \$3,909 in interest income related to this investment.

### **7. Exploration and Evaluation Asset**

On July 7, 2023, the Company entered into an amended purchase agreement with International Iconic Gold Exploration Corporation ("ICON") to acquire an oil and gas asset El Carmen (the "Property") by way of purchasing 95% interest in Spinell S.A. ("Spinell"), the owner of the property, in exchange for securities of the Company. The Company issued 2,100,000 common shares at a price of \$1.00 per share for a deemed transaction value of \$2,100,000 and the transaction was treated as an asset purchase transaction in accordance with IFRS 3. Of the total number of common shares issued for the transaction, 2,000,000 common shares of the Company are held in escrow until certain milestones are met in connection with the Property and will be issued to ICON once these milestones are met. These milestones include: 1,000,000 shares of the Company will be released from escrow upon the Property entering production of natural gas; and 1,000,000 shares of the Company will be released from escrow upon the Property entering production of oil.

During the year ended December 31, 2023, the Company capitalized \$8,848 exploration and evaluation expenses on the El Carmen petroleum property (December 31, 2022 - \$nil).

# **BGX - Black Gold Exploration Corp.**

Notes to the Consolidated Financial Statements

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## **8. Related Party Transactions**

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.

During the year ended December 31, 2023, the Company incurred \$28,809 (December 31, 2022 - \$nil) in management fees to Francisco Gulisano, a director and CEO of the Company. As at December 31, 2023, \$28,809 (December 31, 2022 - \$nil) was included in accounts payable and accrued liabilities for management fees due to Francisco Gulisano.

## **9. Share Capital**

### **Authorized**

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

### **Issued and outstanding**

On September 30, 2021, the Company issued a total of 2,050,000 special warrants (each a “Special Warrant”) at \$0.20 per Special Warrant for total consideration of \$410,000. On January 31, 2022, each Special Warrant was converted automatically into units of the Company (a “Unit”) at \$0.02 per Unit, comprising of one common share and one common share purchase warrant (a “Warrant”). Each Warrant is exercisable into one common share at an exercise price of \$0.20 for a period of five years to January 31, 2027.

On July 7, 2023, the Company issued 2,100,000 common shares at a price of \$1.00 per share for the acquisition of a petroleum property for a deemed transaction value of \$2,100,000. Of the total number of common shares issued for the transaction, 2,000,000 common shares of the Company are held in escrow and are subject to certain milestones (Note 7).

### **Subscription in Advance**

During the year ended December 31, 2022, the Company accepted subscription agreements for a total of 88,630 special warrants (each a “Special Warrant”) at \$1.50 per Special Warrant for total consideration of \$132,945. During the year ended December 31, 2023, the Company accepted subscriptions in advance for a total of 1,997 special warrants (each a “Special Warrant”) at \$1.50 per Special Warrant for total consideration of \$2,995. On July 24, 2023, the Company issued a total of 90,627 special warrants (each a “Special Warrant”) at \$1.50 per Special Warrant for total consideration of \$135,941. Each Special Warrant will be convertible into units of the Company (each a “Unit”) comprising of one common share and one share purchase warrant (a “Warrant”). On February 2, 2024, the Special Warrants were converted into Units of the Company. Each warrant is exercisable into one common share at an exercise price of \$3.00 for a period of 3 years.

## BGX - Black Gold Exploration Corp.

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### 9. Share Capital (continued)

During the year ended December 31, 2022, the Company accepted subscriptions in advance for a total of 457,916 units at \$1.50 per unit for total consideration of \$686,874. Upon the closing of the agreement, the units, comprising of one common share and one share purchase warrant (each a "Warrant"), will be issued. Each Warrant is exercisable into one common share at an exercise price of \$3.00 for a period of three years from the date of issuance. As at December 31, 2023, the subscriptions in advance still remain outstanding and the units were issued subsequent to the year ended (Note 12).

#### Common Shares

A summary of the Company's common shares is as follows:

	Number of Common Shares	Fair Value per Share \$	Fair Value of Shares \$
Balance, January 1, 2022	500,000	0.05	25,000
Issued	2,050,000	0.20	410,000
<b>Balance at December 31, 2022</b>	<b>2,550,000</b>	<b>0.17</b>	<b>435,000</b>
Issued (Note 7)	2,100,000	1.00	2,100,000
<b>Balance at December 31, 2023</b>	<b>4,650,000</b>	<b>0.55</b>	<b>2,535,000</b>

#### Share Purchase Warrants

A summary of the Company's share purchase warrants is as follows:

	December 31, 2023		December 31, 2022	
	Number of Warrants	Weighted Average Exercise Price \$	Number of Warrants	Weighted Average Exercise Price \$
Warrants outstanding - beginning of year	2,550,000	0.17	500,000	0.05
Issued	-	-	2,050,000	0.20
<b>Warrants outstanding - end of year</b>	<b>2,550,000</b>	<b>0.17</b>	<b>2,550,000</b>	<b>0.17</b>

Number of Warrants	Exercise Price \$	Remaining Contractual Life (years)	Expiry Date
500,000	0.05	2.99	December 27, 2026
2,050,000	0.20	3.09	January 31, 2027

## BGX - Black Gold Exploration Corp.

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(Expressed in Canadian Dollars)

### 9. Share Capital (continued)

#### Special Warrants

A summary of the Company's special warrants is as follows:

	Number of Special Warrants	Price per Special Warrant \$
Balance, January 1, 2022	2,050,000	0.20
Exercised	(2,050,000)	0.20
<b>Balance at December 31, 2022</b>	-	-
Issued	90,627	1.50
<b>Balance at December 31, 2023</b>	90,627	1.50

On September 30, 2021, the Company issued a total of 2,050,000 special warrants (each a "Special Warrant") at \$0.20 per Special Warrant for total consideration of \$410,000. Each Special Warrant is convertible into units of the Company (each a "Unit") comprising of one common share and one share purchase warrant (a "Warrant"). The Special Warrant will be deemed exercised on the date that is the earlier of: (i) the third business date on which the receipt for a final prospectus to qualify for distribution of the Underlying shares is received by the Company from the British Columbia Securities Commission; and (ii) 4 months following the date of issuance. On January 31, 2022, the Special Warrants were exercised into 2,050,000 units (each a "Unit"). Each Unit is comprised of one common share and one common share purchase warrant (a "Warrant"). Each Warrant is exercisable into one common share at an exercise price of \$0.20 for a period of five years with an expiry date of January 31, 2027. Using the residual method, a \$nil value was allocated to the warrants.

On July 26, 2023, the Company issued a total of 90,627 special warrants (each a "Special Warrant") at \$1.50 per Special Warrant for total consideration of \$135,941. Each Special Warrant is convertible into units of the Company (each a "Unit") comprising of one common share and one share purchase warrant (a "Warrant"). On February 2, 2024, the Special Warrants were exercised into units (each a "Unit"). Each Unit is comprised of one common share and one common share purchase warrant (a "Warrant"). Each warrant is exercisable into one common share at an exercise price of \$3.00 for a period of three years. Using the residual method, a \$nil value was allocated to the warrants.

### 10. Income Taxes

A reconciliation of income taxes at statutory rates with reported taxes as follows:

	December 31, 2023	December 31, 2022
Net loss for the year	\$ (285,734)	(35,312)
Combined income tax rate	27%	27%
Income tax benefit computed at statutory tax rate	(77,000)	(9,500)
Unrecognized benefit of deferred income tax assets	77,000	9,500
Income tax expense	\$ -	-

# BGX - Black Gold Exploration Corp.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

## 10. Income Taxes (continued)

As at December 31, 2023, the Company had non-capital losses carried forward of approximately \$330,000 which may be utilized to reduce future years' taxable income and expire in 2040 to 2043.

Deferred income tax assets have not been recognized in respect of these items because it is not probable that the Company will be able to generate sufficient taxable income upon which these deferred tax assets can be realized.

## 11. Segmented information

The Company has one reportable operating segment, being the acquisition, exploration and evaluation of assets in Argentina.

Geographical information is as follows:

	December 31, 2023	December 31, 2022
Argentina:		
Exploration and evaluation assets	\$ 2,108,848	-
Cash and other assets	\$ 3,391	-
Net loss	\$ 1,296	-

## 12. Subsequent Events

On January 19, 2024, the Company closed its subscriptions in advance private placement round and issued 457,916 units of the Company (a "Unit") at a price of \$1.50 per Unit for total proceeds of \$686,874. Each Unit is comprised of one common share and one share purchase warrant at an exercise price of \$3.00 for a period of 3 years with an expiry date of January 19, 2027.

On February 2, 2024, the Company's Special Warrants were exercised into units (each a "Unit"). Each Unit is comprised of one common share and one common share purchase warrant (a "Warrant"). Each warrant is exercisable into one common share at an exercise price of \$3.00 for a period of three years.

On February 21, 2024, the Company was listed on the Canadian Securities Exchange with a stock ticker of BGX.

On March 7, 2024, the company granted 186,667 stock options to directors, officers and legal consultants of the company with an exercise price of \$4.00 expiring on March 7, 2029. The options vest in accordance with terms between 2 to 5 years. In addition, the company granted a total of 13,333 performance share units convertible into 13,333 common shares.

On March 14, 2024, the Company issued an aggregate of 16,987 common shares at \$4.00 per share to settle an aggregate outstanding debt of \$67,948, of which \$38,124 was a debt owed to the CEO of the Company.