# Shine Mineral Corp.

## Condensed Interim Financial Statements

## For the Six Months Ended

## December 31, 2024

# Shine Minerals Corp.

## Condensed Interim Financial Statements

## For the six months ended

## December 31, 2024

### Table of Contents

**Shine Minerals Corp.**
Condensed Interim Statements of Financial Position
(Expressed in Canadian dollars)

| | Notes | **As at December 31, 2024 (unaudited)** | As at June 30, 2024 (audited) |
|---|---|---|---|
| | | **$** | $ |
| **Assets** | | | |
| **Current** | | | |
| Cash | | **151,830** | 205,387 |
| Amounts receivable | | **40,153** | 32,657 |
| Prepaid expense | | **-** | 4,068 |
| **Total Assets** | | **191,983** | 242,112 |
| **Liabilities and Shareholders' Deficiency** | | | |
| **Current Liabilities:** | | | |
| Accounts payable and accrued liabilities | **5, 8** | **1,173,189** | 1,063,044 |
| Short-term loan | **6** | **80,000** | 80,000 |
| | | **1,253,189** | 1,143,044 |
| **Total Liabilities** | | **1,253,189** | 1,143,044 |
| **Shareholders' deficiency:** | | | |
| Share capital | **7** | **18,981,273** | 18,981,273 |
| Reserves | **7** | **6,105,709** | 6,105,709 |
| Accumulated deficit | | **(26,148,188)** | (25,987,914) |
| **Total Shareholders' deficiency** | | **(1,061,206)** | (900,932) |
| **Total Liabilities and Shareholders' Deficiency** | | **191,983** | 242,112 |

**Nature and Continuance of operations (Note 1)**

**Approved and authorized on February 19, 2025 on behalf of the Board:**

| | |
|---|---|
| */s/ Devinder Randhawa* | */s/ Jamie Bannerman* |
| Director | Director |

*The accompanying notes are integral to these condensed interim financial statements.*

**Shine Minerals Corp.**

Condensed Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars - Unaudited)

| | Note | **For the Three Months Ended December 31, 2024** | For the Three Months Ended December 31, 2023 | **For the Six Months Ended December 31, 2024** | For the Six Months Ended December 31, 2023 |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| **General and administrative expenses** | | | | | |
| Consulting and management fees | **8** | **60,500** | 61,800 | **119,550** | 118,326 |
| Office and administration | **8** | **7,073** | 7,812 | **9,755** | 18,548 |
| Professional fees | | **2,694** | 26,031 | **20,441** | 26,801 |
| Regulatory fees | | **5,290** | 4,951 | **6,632** | 7,433 |
| Transfer agent | | **2,804** | 3,961 | **3,896** | 6,524 |
| **Loss and comprehensive loss for the period** | | **(78,361)** | (104,555) | **(160,274)** | (177,632) |
| **Basic and diluted loss per common share** | | **(0.00)** | (0.04) | **(0.01)** | (0.01) |
| **Weighted average number of common shares outstanding – basic and diluted** | | **26,995,388** | 26,995,388 | **26,995,388** | 25,873,494 |

*The accompanying notes are integral to these condensed interim financial statements.*

**Shine Minerals Corp.**

Condensed Interim Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian dollars except the number of shares - Unaudited)

| | Common Shares Outstanding Shares | Share Capital | Reserves | Deficit | Total Shareholders' Deficiency |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| **Balance, June 30, 2022** | **17,557,891** | **18,395,095** | **6,105,709** | **(25,431,126)** | **(930,322)** |
| Debt settlement shares | 3,035,713 | 170,000 | - | - | 170,000 |
| Loss and comprehensive loss for the period | - | - | - | (177,632) | (177,632) |
| **Balance, December 31, 2023** | **23,959,675** | **18,753,595** | **6,105,709** | **(25,807,289)** | **(777,985)** |
| | | | | | |
| **Balance, June 30, 2024** | **26,995,388** | **18,981,273** | **6,105,709** | **(25,987,914)** | **(900,932)** |
| Loss and comprehensive loss for the period | - | - | - | (160,274) | (160,274) |
| **Balance, December 31, 2024** | **26,995,388** | **18,981,273** | **6,105,709** | **(26,148,188)** | **(1,061,206)** |

*The accompanying notes are integral to these condensed interim financial statements.*

**Shine Minerals Corp.**
Condensed Interim Statements of Cash Flows
(Expressed in Canadian dollars - Unaudited)

| | **For the Six Months Ended December 31, 2024** | For the Six Months Ended December 31, 2023 |
|---|---|---|
| | **$** | $ |
| **Operating activities** | | |
| Loss and comprehensive loss for the period | **(160,274)** | (177,632) |
| **Changes in non-cash working capital items** | | |
| Amounts receivable | **(7,496)** | (8,217) |
| Prepaid expenses | **4,068** | 4,068 |
| Accounts payable and accrued liabilities | **110,145** | 94,877 |
| **Cash used in operating activities** | **(11,275)** | (86,904) |
| | | |
| **Change in cash** | **(53,557)** | (86,904) |
| **Cash, beginning of the period** | **205,387** | 344,772 |
| **Cash, end of the period** | **151,830** | 257,868 |

*The accompanying notes are integral to these condensed interim financial statements.*

**1. Nature and Continuance of Operations**

Shine Minerals Corp. (the "Company") is a company incorporated under the Business Corporation Act of British Columbia, Canada. The registered, records office of the Company and the principal office of operations is 750-1620 Dickson Avenue, Kelowna, British Columbia, V1Y 9Y2. The Company's shares are publicly listed on the TSX Venture ("TSX-V") under the symbol "SMR.H".

The Company is engaged in the acquisition and exploration of exploration and evaluation assets in Canada and to date has not generated significant revenues from operations.

The Company has no revenue and has significant cash requirements to evaluate potential mineral property interests and to meet its administrative overhead. These financial statements have been prepared on a going concern basis and do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. The Company's ability to continue as a going concern is dependent on its ability to secure equity, debt or joint venture financing and generate profitable future operations. These material uncertainties may cast significant doubt on the ability of the Company to continue as a going concern.

**2. Basis of Presentation**

Statement of compliance with IFRS Accounting Standards
These financial statements have been prepared using accounting policies in compliance with IFRS Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

These financial statements have been prepared in Canadian dollars ("CAD") being the Company's presentation and functional currency and are based on a historical cost basis. Unless otherwise noted all figures are in Canadian dollars. The functional currency of the Company's subsidiaries were that of the parent company, being Canadian dollars.

The financial statements were authorized for issue by the Board of Directors on February 19, 2025.

**3. Material Accounting Policy Information**

*(a) Foreign Currency Translation*

Functional currency is the currency of the primary economic environment in which an entity operates and it has been determined that for the Company, the Canadian dollar is the functional currency. These determinations were conducted through an analysis of the consideration factors identified in IAS 21 - *The Effects of Changes in Foreign Exchange Rates*.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses are recognized in profit or loss upon settlement of such transactions. Translation of monetary assets and liabilities denominated in foreign currencies at exchange rates prevailing at the reporting date are also recognized in the profit or loss.

*(b) Cash and cash equivalents*

Cash and cash equivalents include cash on hand, term deposits, and short-term liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

*(c) Exploration and Evaluation Assets*

All direct costs attributable to the acquisition, exploration and evaluation of exploration and evaluation assets are capitalized as intangible assets on the basis of specific exploration licences until the mineral property interests to which they relate are placed into production, disposed of through relinquishment or sale or where management has determined there is impairment. Upon commencement of commercial production these costs are reclassified as mining assets and are amortized over the estimated productive lives of the properties using the units-of-production method.

Exploration and evaluation assets are reviewed on an ongoing basis to consider any indicators of impairment. If any indication of impairment exists, an estimate of the exploration and evaluation assets' recoverable amount is determined. The recoverable amount is calculated as the higher of fair value less selling costs and its value in use. This value is determined for individual exploration and evaluation assets unless it does not generate cash inflows that are largely independent of other exploration and evaluation assets. If this is the case, the assets are grouped together into Cash Generating Units ("CGUs") for impairment purposes.

**3. Material Accounting Policy Information (continued)**

The Company considers the following factors to review its exploration and evaluation assets for indicators of impairment:

(i) Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.

(ii) Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.

(iii) Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

(iv) The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the mineral property's recoverable amount since the last impairment loss was recognized. In such a case, the carrying amount of the mineral property is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the mineral property interest in prior years. Such reversals are recognized in profit or loss. If a mineral property is relinquished, the exploration and evaluation costs related to the mineral property will be written off to profit or loss in the year of relinquishment.

*(d)* Share-based Payments

The Company has a stock option plan whereby it is authorized to grant stock options to employees, officers, directors and consultants. Employees, officers, directors and consultants are classified as employees when they render personal services to the entity and are either regarded as employees for legal or tax purposes, or employed with an entity under its direction in the same way as employees, officers, directors and consultants who are regarded as employees for legal or tax purposes are, or the services rendered are similar to those rendered by employees.

The fair value of stock options issued to employees is measured on the grant date, using the Black-Scholes option pricing model with assumptions for volatility of the expected market price of the Company's common shares, risk-free interest rates and expected life of the options. The fair value less estimated forfeitures is charged to profit or loss and/or capitalized to the exploration and evaluation assets over the vesting period of the related options with a corresponding credit to equity in other capital reserves. The estimated forfeitures are based on historical experience and reviewed on quarterly basis to determine the appropriate forfeiture rate based on past, present and expected forfeitures. Stock options granted with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values.

Share-based awards issued to non-employees are generally measured on the fair value of goods or services received unless that fair value cannot be reliably measured. The fair value is measured at the date the entity obtains the goods or services or when the counterparty renders service. If the fair value cannot be reliably measured, the fair value of the share-based payments to non-employees are periodically re-measured using the Black-Scholes option pricing model until the counterparty performance is complete and any change therein is recognized over the vesting period of the award. The cost of share-based payments to non-employees that are fully vested and non-forfeitable at the date of the grant are measured and recognized at that date.

When stock options are exercised, the proceeds are credited to share capital and the fair value of the options exercised is reclassified from reserves to share capital.

**3. Material Accounting Policy Information (continued)**

*(e) Income Taxes*

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the reporting date, and includes any adjustments to tax payable or receivable in respect of prior years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they are realized or settled, based on the laws that have been enacted or substantively enacted as at the statement of financial position date. It is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects either accounting or taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future tax profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

*(f) Loss per Share*

The Company presents basic and diluted loss per share for its common shares, calculated by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per share is similarly calculated except it is assumed that outstanding stock options and warrants, with the average market price that exceeds the average exercise prices of the options and warrants for the year, are exercised and the assumed proceeds are used to repurchase shares of the Company at the average market price of the common shares for the year. Diluted loss per share does not adjust the loss attributable to common shareholders when the effect is anti-dilutive.

*(g) Related Party Transactions*

Parties are considered to be related if one party has the direct or indirect ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties can be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of services, obligations or resources between related parties including key management personnel.

**Financial assets**

Recognition and measurement of financial assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

Classification of financial assets

The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income ("FVTOCI") or measured at fair value through profit or loss ("FVTPL").

(i) Financial assets measured at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company's business model for such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if any. Amounts receivable are considered to be measured at amortized cost.

The Company's cash and amounts receivable are measured at amortized cost.

(ii) Financial assets measured at FVTPL

**3. Material Accounting Policy Information (continued)**

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

(iii) Financial assets measured at FVTOCI

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income.

Derecognition of financial assets

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in profit or loss.

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

**Financial liabilities**

Recognition and measurement of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions
of the instruments.

Classification of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

(i) Financial liabilities measured at amortized cost

A financial liability at amortized cost is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method.

The Company's accounts payable and accrued liabilities and short term loan are classified as financial liabilities measured at amortized cost.

(ii) Financial liabilities measured at FVTPL.

A financial liability measured at FVTPL is initially measured at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial liability is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

The Company does not have any liabilities classified as financial liabilities measured at FVTPL.

Derecognition of financial liabilities

The Company derecognizes a financial liability when the financial liability is 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 profit or loss.

### 3. Material Accounting Policy Information (continued)

Offsetting financial assets and liabilities
Financial assets and liabilities are offset and the net amount is presented in the statement of financial position only when the Company has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment of financial assets
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 twelve month expected credit losses. The Company shall recognize in profit or 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.

**Amendments to existing standards and new amendments not yet effective**

The Company adopted the following amendments to accounting standards, which are effective for annual reporting periods beginning on or after January 1, 2023:

*Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* – the amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy.

The amendment was applied effective July 1, 2023 and did not have a material impact on the Company's financial statements.

*IFRS 18 Presentation and Disclosure in Financial Statements* – IFRS 18 will replace IAS 1, Presentation of Financial Statements which aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss, in particular additional defined subtotals, disclosures about management-defined performance measures and new principles for aggregation and disaggregation of information. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 Statement of Cash Flows. IFRS 18 is effective from 1 January 2027. Companies are permitted to apply IFRS 18 before that date.

The Company is not yet able to determine the impact to the financial statements from the adoption of this standard.

Certain pronouncements were issued by the IASB but are not yet effective as at December 31, 2024. The Company intends to adopt these standards when they become effective but does not expect these amendments to have a material effect on the financial statements of the Company.

### 4. Key Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimated uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Company bases its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(a) Share-based Compensation

The Company measures the cost of equity-settled transactions with employees and non-employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based compensation transactions requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires the expected life of the share option, volatility and dividend yield and making assumptions about them.

(Expressed in Canadian Dollars) TSX.V: **SMR.H**

## 4. Key Estimates and Assumptions (continued)

(b) Valuation of shares issued in non-cash transactions

Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

## 5. Accounts Payable and Accrued Liabilities

Accounts payable are indebtedness incurred in the normal course of operations and are typically payable within 30 days. The accrued liabilities are non-interest bearing and are primarily payable to related parties. See Note 8.

| **Due within one year** | **December 31, 2024** | June 30, 2024 |
|---|---|---|
| | $ | $ |
| Accounts payables | **33,109** | **28,018** |
| Accrued liabilities | **1,140,080** | **1,035,026** |
| | **1,173,189** | **1,063,044** |

## 6. Short-term loan

On June 20, 2023, the Company borrowed $80,000 from a private company owned by the CEO. The loan is unsecured, bears interest of 10% and is due on demand. Included in accounts payable and accrued liabilities is $4,000 in interest payable as at December 31, 2024.

## 7. Share Capital and Reserves

The Company is authorized to issue an unlimited number of common shares without par value.

***Share Capital***

<u>During the year ended June 30, 2024</u>

On September 6, 2023, the Company settled $170,000 of historical accounts payable through the issuance of 3,035,713 common shares valued at $227,678, resulting in a loss on settlement of $57,678.

***Stock Options***

The Company has a share-holder approved stock option plan which allows the Board of Directors to grant stock options to directors, officers, employees, contractors and consultants. The exercise price of each option is based on the market price of the Company’s common stock at the date of grant less any applicable discount. The options can be granted for a maximum term of ten years and vesting terms are determined by the Board of Directors at the date of grant.

(Expressed in Canadian Dollars) TSX.V: **SMR.H**

**7. Share Capital and Reserves (continued)**

As at December 31, 2024 and June 30, 2024, there were Nil options outstanding.

***Warrants***

The Company issued the following warrants:

| | Number of Warrants | Weight Average Exercise Price | Weighted Average Life (years) |
|---|---|---|---|
| **Balance, June 30, 2023** | 4,883,927 | 0.075 | 0.94 |
| Expired | (4,883,927) | 0.075 | - |
| **Balance, June 30, 2024** | - | - | - |
| **Balance, December 31, 2024** | - | - | - |

As at *December 31*, 2024 and *June 30,* 202*4,* there were Nil warrants outstanding.

**8. Related Party Transactions**

Parties are considered to be 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. Related parties may be individuals or corporate entities. The Company has identified its directors and officers as its key management personnel. Amounts paid or accrued to key personnel are as follows:

| | **For the Six Months Ended December 31, 2024** | For the Six Months Ended December 31, 2023 |
|---|---|---|
| | **$** | $ |
| Consulting | **111,000** | 112,000 |

As at December 31, 2024, the Company owed $1,136,080 (2024 - $1,035,025) to key management personnel or by companies controlled by them which has been included in accounts payable and accrued liabilities. In addition, included in accounts payable and accrued liabilities is $4,000 in interest payable as at December 31, 2024.

During the year ended June 30, 2024, the Company settled $170,000 of historical accounts payable through the issuance of 3,035,713 common shares valued at $227,678, resulting in a loss on settlement of $57,678 of which $40,714 pertained to related party debt.

## 9. Financial Instruments and Capital Management

**Capital management**

The Company's objective when managing capital, being its share capital, are to safeguard the Company's ability to continue as a going concern in order to pursue the acquisition and exploration of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company is dependent on external financing to fund its activities. The capital structure of the Company currently consists of common shares and share purchase warrants. Changes in the equity accounts of the Company are disclosed in the statements of changes in deficiency. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or acquire or dispose of assets. Any issuance of common shares requires approval of the Board of Directors.

In order to facilitate management with its capital requirements, the Company prepares annual expenditure budgets which are approved by the Board of Directors and updated as necessary depending on various factors including capital deployment and general market and industry conditions.

The Company anticipates continuing to access equity markets to fund the acquisition and exploration of exploration and evaluation assets and to ensure the future growth of the business.

The Company is not subject to any externally imposed capital restrictions.

**Financial instruments**

IFRS 7 *Financial Instruments: Disclosures* establishes a fair value hierarchy that reflects the significance of the inputs used in making measurements. The fair value hierarchy has the following levels:

*Level 1*: quoted (unadjusted) prices in active markets for identical assets and liabilities

*Level 2:* inputs other than quoted direct prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

*Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Company's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities, and short term loan. Carrying value of these items are considered to be a reasonable approximation of fair value due to the short-term nature of these instruments.

The Company's financial instruments are exposed to a number of financial and market risks, including credit, liquidity and foreign exchange risks. The Company does not currently have any active hedging or derivative trading policies to manage these risks as it has been determined by management that the current size, scale and pattern of its operations would warrant such hedging activities.

*(a) Credit Risk*

Credit risk is such that a counterparty to a financial instrument will not discharge its obligations resulting in a financial loss to the Company. The Company has procedures in place to minimize its exposure to credit risk. Company management evaluates credit risk on an ongoing basis including counterparty credit rating and activities related to trade and other receivables and other counterparty concentrations as measured by amount and percentage.

The primary sources of credit risk for the Company arise from cash and amounts receivable. The Company's maximum exposure to credit risk is minimal as cash is deposited with reputable financial institutions. Amounts receivable are due from a government agency.

(Expressed in Canadian Dollars) TSX.V: **SMR.H**

**9. Financial Instruments and Capital Management (continued)**

*(b) Liquidity Risk*

Liquidity Risk is the risk that the Company will be unable to meet its financial liabilities as they fall due. The Company's financial liabilities are comprised of accounts payable and accrued liabilities, and a short term loan. The Company frequently assesses its liquidity position by reviewing the timing of amounts due and its current cash flow position to meet current obligations by monitoring and maintaining sufficient cash to meet its anticipated operational needs.

The Company's financial liabilities arise as a result of expenditures directly related to its corporate expenses. Payment terms on accounts payable and accrued liabilities are typically 30 to 60 days from receipt of invoice and generally do not bear interest. Short-term loan is unsecured, bears interest of 10% and is due on demand. The following table summarizes the remaining contractual maturities of the Company's financial liabilities:

| **Maturity dates <6 months** | **December 31, 2024** | June 30, 2024 |
|---|---|---|
| | $ | $ |
| Accounts payable | **37,109** | 28,018 |
| Accrued liabilities | **1,136,080** | 1,035,026 |
| Short-term loan | **80,000** | 80,000 |
| | **1,253,189** | 1,143,044 |

The Company is exposed to liquidity risk.

*(c) Market Risk*

Market risk is the potential that the fair value for assets will fluctuate due to changes in market conditions on items classified as held-for-trading, available-for-sale or future cash flows from assets or liabilities considered to be held-to-maturity, other financial liabilities and loans or receivables of a financial instrument. The Company evaluates market risk on an ongoing basis and has established policies and procedures for mitigating its exposure to foreign exchange fluctuations. The Company is not significantly exposed to interest rate and is not generally charged interest on accounts payable balances.

*(d) Foreign Exchange Risk*

The Company operates domestically in Canada and is exposed to minimal foreign exchange risk.