# DISCOVERY HARBOUR RESOURCES CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

## NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Discovery Harbour Resources Corp. (the “Company”) have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these financial statements in accordance with standards established by Chartered Professional Accountants of Canada for a review of interim financial statements by an entity’s auditor.

# DISCOVERY HARBOUR RESOURCES CORP.
## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
**(Expressed in Canadian Dollars)**

| | Note | December 31, 2023 $ | September 30, 2023 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash | | 33,308 | 89,011 |
| Amounts receivable | | 6,576 | 6,373 |
| Prepaid expenses and deposits | | 3,040 | 940 |
| Total current assets | | 42,924 | 96,324 |
| **Non-current assets** | | | |
| Investment | 5 | 297,000 | 297,000 |
| Total assets | | 339,924 | 393,324 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 49,256 | 9,663 |
| Loan payable | 7 | - | 40,000 |
| Total liabilities | | 49,256 | 49,663 |
| **Equity** | | | |
| Share capital | 8 | 22,156,822 | 22,156,822 |
| Contributed surplus | 8 | 2,503,564 | 2,503,564 |
| Accumulated deficit | | (24,369,718) | (24,316,725) |
| Total equity | | 290,668 | 343,661 |
| Total liabilities and equity | | 339,924 | 393,324 |

Nature of operations and going concern (Note 1)
Subsequent event (Note 14)

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors:

*/s/"Mark Fields"* Director *"/s/"Rodney Stevens"* Director

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

# DISCOVERY HARBOUR RESOURCES CORP.

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2023 AND 2022**
**(Expressed in Canadian Dollars)**

| | Note | 2023<br>$ | 2022<br>$ |
|---|---|---|---|
| **Expenses** | | | |
| Accounting and audit fees | | 18,000 | 16,000 |
| Insurance | | - | 3,845 |
| Investor communications | | 185 | 238 |
| Legal | | 3,540 | 786 |
| Office and administration | | 1,201 | 1,000 |
| Salaries and benefits | 10 | 39,000 | 33,893 |
| Transfer agent and filing fees | | 929 | 969 |
| **Total expenses** | | (62,855) | (56,731) |
| Recovery of exploration and evaluation assets | | - | 22,509 |
| Foreign exchange | | (138) | 1,134 |
| Gain on settlement of debt | 7 | 10,000 | - |
| | | 9,862 | 23,643 |
| **Net loss and comprehensive loss for the period** | | (52,993) | (33,088) |
| **Loss per common share, basic and diluted** | | (0.01) | (0.00) |
| **Weighted average number of common shares outstanding** | | 9,450,929 | 9,450,929 |

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

# DISCOVERY HARBOUR RESOURCES CORP.
## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
## FOR THE THREE MONTHS ENDED DECEMBER 31, 2023 AND 2022
## (Expressed in Canadian Dollars)

| | Number of Shares | Share Capital $ | Contributed Surplus $ | Accumulated Deficit $ | Total $ |
|---|---|---|---|---|---|
| Balance at September 30, 2022 | 9,450,929 | 22,156,822 | 2,503,564 | (24,360,629) | 299,757 |
| Net loss for the period | - | - | - | (33,088) | (33,088) |
| Balance at December 31, 2022 | 9,450,929 | 22,156,822 | 2,503,564 | (24,393,717) | 266,669 |
| Balance at September 30, 2023 | 9,450,929 | 22,156,822 | 2,503,564 | (24,316,725) | 343,661 |
| Net income for the period | - | - | - | (52,993) | (52,993) |
| Balance at December 31, 2023 | 9,450,929 | 22,156,822 | 2,503,564 | (24,369,718) | 290,668 |

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

# DISCOVERY HARBOUR RESOURCES CORP.

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2023 AND 2022**
**(Expressed in Canadian Dollars)**

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| **Operating activities** | | |
| Net loss for the period | (52,993) | (33,088) |
| Items not involving cash: | | |
| Gain on settlement of debt | (10,000) | - |
| Changes in non-cash working capital accounts: | | |
| Amounts receivable | (203) | (905) |
| Due to related parties | - | (7,970) |
| Prepaid expenses | (2,100) | 3,845 |
| Trade and other payables | 39,593 | 2,734 |
| Total cash used in operating activities | (25,703) | (35,384) |
| **Financing activities** | | |
| Loan repayment | (30,000) | - |
| Total cash used in financing activities | (30,000) | - |
| **Total change in cash** | (55,703) | (35,384) |
| **Cash, beginning** | 89,011 | 347,262 |
| **Cash, end** | 33,308 | 311,878 |
| **Supplemental information** | | |
| Interest paid | - | - |
| Income taxes paid | - | - |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Discovery Harbour Resources Corp. (the "Company") was incorporated under the Business Corporations Act of British Columbia on March 11, 2009. The Company completed a reverse takeover transaction with CVC Cayman Ventures Corp. on April 2, 2013. The Company is listed on the TSX Venture Exchange as a Tier 2 Venture Issuer having the symbol DHR-V.

The address of the Company's corporate office and principal place of business is Suite 250 - 750 West Pender Street, Vancouver, British Columbia, Canada.

During the year ended September 30, 2023, the Company consolidated its share capital on a 10:1 basis. These condensed consolidated interim financial statements reflect the share consolidation retroactively.

The Company has not generated revenue from operations since inception. The Company has accumulated losses of $24,369,718 since inception and expects to incur further losses in the development of its business, all of which may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to raise financing and generate future profitable operations. As the Company is in the exploration stage, the recoverability of costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, future profitable production or proceeds from the disposition of the properties and the ability of the Company to acquire or invest in suitable projects and the attainment of profitable operations. The Company will periodically have to raise funds to continue operations, and although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

These condensed consolidated interim financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these condensed consolidated interim financial statements. Such adjustments could be material.

## 2. BASIS OF PREPARATION

### Statement of Compliance

These condensed consolidated interim financial statements for the period ended December 31, 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Company's 2023 annual financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on February 16, 2024.

### Basis of Measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

The condensed consolidated interim financial statements are presented in Canadian dollars, which is also the Company's functional currency.

### Basis of Consolidation

The condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, 0845837 B.C. Ltd. (active) and Discovery Harbour (USA) LLC (dormant). Inter-company balances and transactions are eliminated on consolidation.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared using accounting policies consistent with those used in the Company's 2023 annual financial statements.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

There have been no material revisions to the nature of judgments and amount of changes in estimates of amounts reported in the Company's 2023 annual financial statements.

## 5. INVESTMENT

### Stratus Aeronautics Inc.

The Company's investment in Stratus Aeronautics Inc. ("Stratus"), a private company incorporated in Canada, is classified as FVTPL and measured at fair value. The Company acquired 594,000 shares of Stratus on September 22, 2011 pursuant to a transaction to settle a $330,000 loan agreement with Stratus. During the year ended September 30, 2014, the Company wrote down its investment down to its estimated fair value of $1.

During the year ended September 30, 2023, the company reassessed the fair value of its investments at $297,000 and recorded a fair valuation gain of $296,999.

**(Expressed in Canadian Dollars)**

## 6. EXPLORATION AND EVALUATION ASSETS

Total costs incurred on exploration and evaluation assets are summarized as follows:

| | **Fortuity 89**<br>**$** | **Total**<br>**$** |
|---|---|---|
| Balance at September 30, 2022 | - | - |
| Acquisition of property | | |
| Claim rental | 10,925 | 10,925 |
| Write-off of exploration and evaluation assets | (10,925) | (10,925) |
| Balance at September 30, 2023 and December 31, 2023 | - | - |

### a) Fortuity 89 Property (Nevada, USA)

On March 9, 2021 the Company entered into an option and earn-in agreement with Newcrest Resources, Inc., a wholly owned subsidiary of Newcrest Mining Limited on the Fortuity 89 property in Nevada. The Fortuity 89 property, was formerly included in the Caldera Gold Property. During the year ended September 30, 2022, Newcrest terminated its option to earn an interest in the Fortuity 89 Property.

During the year ended September 30, 2022, the Company terminated its option on the Caldera Gold Property, which included Fortuity 89 and wrote down its exploration and evaluation costs to $Nil.

During the year ended September 30, 2023, wrote off expenditures incurred on this property as the Company has no current plans to explore on the property.

The Company retains 100% ownership of 46 claims in the Fortuity 89 area which were outside the area of interest of the option agreement.

**(Expressed in Canadian Dollars)**

## 7. LOAN PAYABLE

On April 30, 2020, the Company received a loan from the Canadian government's Canada Emergency Business Account ("CEBA") Program in the amount of $40,000. The CEBA is a government guaranteed loan of up to $40,000 that is interest-free until December 31, 2023. The loan is available to help businesses with operating costs during COVID-19. Twenty-five percent of the loan amount ($10,000) is eligible for forgiveness as long as the business pays back $30,000 on or before January 18, 2024. During the period ended December 31, 2023, the Company repaid $30,000 of the loan payable and recorded a gain on settlement of debt of $10,000.

## 8. SHARE CAPITAL AND RESERVES

### a) Common Shares

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

The holders of common shares are entitled to receive dividends and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

During the year ended September 30, 2023, the Company consolidated its share capital on a 10:1 basis. These condensed consolidated interim financial statements reflect the share consolidation retroactively.

There were no common shares issued during the period ended December 31, 2023 and the year ended September 30, 2023.

### b) Preferred Shares

The Company is authorized to issue an unlimited number of preferred shares without par value. No preferred shares have been issued since the Company's inception.

### c) Share Purchase Warrants

A summary of the continuity of the Company's share purchase warrants is presented below:

| | Number of Warrants | Weighted Average Exercise Price ($) |
|---|---|---|
| Balance at September 30, 2022 | 5,748,006 | 1.00 |
| Expired | (5,748,006) | 1.00 |
| Balance at September 30, 2023 and December 31, 2023 | - | - |

**(Expressed in Canadian Dollars)**

## 9. SHARE-BASED PAYMENTS

### a) Option Plan Details

The Company has an amended and restated Stock Option Plan dated February 22, 2022 (the "Plan"). Because it is a rolling stock option plan, the Company may grant options to a maximum of 10% of the issued and outstanding Common Shares, from time to time, under the Plan. However, share compensation awards under all share compensation arrangements of the Company may not exceed, in aggregate, 10% of the total number of issued and outstanding Common Shares. The Plan is administered by the Board and options are granted at the discretion of the Board to eligible optionees, subject to the price restrictions and other TSX Venture Exchange Policy requirements. Options granted under the Plan are subject to vesting terms determined by the Board.

A summary of the continuity of the Company's stock options is presented below:

| | Number of Options | Weighted Average Exercise Price ($) |
|---|---|---|
| Balance at September 30, 2022, 2023 and December 31, 2023 | 607,500 | 0.89 |

Details of stock options outstanding and exercisable as at December 31, 2023 and September 30, 2023 are as follows:

| Expiry Date | Exercise Price ($) | December 31, 2023 | September 30, 2023 |
|---|---|---|---|
| October 4, 2024 | 0.75 | 85,000 | 85,000 |
| October 22, 2024 | 0.90 | 60,000 | 60,000 |
| August 24, 2025 | 1.20 | 270,000 | 270,000 |
| March 17, 2026 | 0.65 | 30,000 | 30,000 |
| January 31, 2027 | 0.50 | 162,500 | 162,500 |
| | Outstanding | 607,500 | 607,500 |
| | Exercisable | 607,500 | 607,500 |

## 10. RELATED PARTY TRANSACTIONS

All related party transactions are recorded at the exchange amount which is the amount agreed to by the Company and the related party.

### a) Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include directors, the chief executive officer and chief financial officer of the Company.

**(Expressed in Canadian Dollars)**

## 10. RELATED PARTY TRANSACTIONS (CONTINUED)

During the period ended December 31, 2023, the Company recorded the following to key management personnel:

- $30,000 (2022: $24,230) in salaries and benefits to the Director and Chief Executive Officer of the Company. As at December 31, 2023, the Company owed $30,000 to this Chief Executive Officer (September 30, 2023 - $Nil).
- $9,000 (2022: $9,663) in salaries and benefits to a Director and former Chief Financial Officer of the Company. As at December 31, 2023, the Company owed $9,000 to this Director (September 30, 2023 - $Nil).

## 11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

*Fair values*

The Company's financial instruments include cash, short-term investments, amounts receivable, investments, trade and other payables, due to related parties and loans payable. The fair value of these financial instruments approximates their carrying values due to the relative short-term maturity of these instruments.

The following table summarizes information regarding the carrying and fair values of the Company's financial instruments:

| | **December 31, 2023** | | **September 30, 2023** | |
|---|---|---|---|---|
| | **Fair Value $** | **Carrying Value $** | **Fair Value $** | **Carrying Value $** |
| FVTPL assets (i) | 330,308 | 330,308 | 386,011 | 386,011 |
| Amortized cost liabilities (ii) | 49,256 | 49,256 | 49,663 | 49,663 |

(i) Cash and investments
(ii) Trade and other payables, due to related parties, loan payable

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value as follows:

Level 1 - Unadjusted 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. derived from prices); and

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

**(Expressed in Canadian Dollars)**

## 11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The following table sets forth the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy as follows:

| As at December 31, 2023 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Cash | 33,308 | - | - | 33,308 |
| Investments | - | - | 297,000 | 297,000 |

The Company has assessed that the recorded values of all other financial instruments approximate their current fair values because of their nature and respective maturity dates.

*Credit risk*

Credit risk is the risk of an unexpected loss associated with a counterparty's inability to fulfill its contractual obligations. Management evaluates credit risk on an ongoing basis and monitors activities related to amounts and other receivable including the amounts of counterparty concentrations. The primary sources of credit risk for the Company arise from its financial assets consisting of cash and cash equivalents. The carrying value of these financial assets represents the Company's maximum exposure to credit risk. To minimize credit risk, the Company only holds its cash and cash equivalents with high credit chartered Canadian financial institutions. As at December 31, 2023, the Company has no financial assets that are past due or impaired due to credit risk defaults.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations with respect to financial liabilities as they fall due. The Company's financial liabilities consist of its trade and other payables, amounts due to related parties and loans payable. The Company has working capital deficiency of $6,332 as at December 31, 2023 and handles its liquidity risk through the management of its capital structure. All of the Company's financial liabilities are due on demand within one year, do not generally bear interest and are subject to normal trade terms.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and commodity and equity prices. Market conditions will cause fluctuations in the fair values of financial assets classified as held-for-trading, available-for-sale and cause fluctuations in the fair value of future cash flows for assets or liabilities classified as held-to-maturity, loans or receivables and other financial liabilities. The Company is not exposed to significant interest rate risk as the Company has no publicly traded debt and no debt that bears variable interest. The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in gold and metal prices. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

(Expressed in Canadian Dollars)

## 11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

*Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The Company's functional currency is the Canadian dollar. The Company is exposed to foreign exchange risk because the Company's financial instruments are denominated in both Canadian dollars and US dollars, and all current exploration occurs within the United States.

## 12. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can support continued development of its exploration and evaluation assets, pursue the acquisition and exploration of other mineral interests, and to maintain a flexible capital structure for its projects for the benefit of its shareholders and other stakeholders. The Company is not exposed to externally imposed capital requirements.

The Company considers items included in equity to be capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities, option its properties for cash from optionees, enter into joint venture arrangements, return capital to its shareholders or adjust the amount of cash.

## 13. SEGMENTED INFORMATION

The Company has one operating segment, the exploration of mineral properties, and two geographical segments, with all current exploration activities being conducted in the United States:

| | December 31, 2023 | | | September 30, 2023 | | |
|---|---|---|---|---|---|---|
| | Canada<br>$ | USA<br>$ | Total<br>$ | Canada<br>$ | USA<br>$ | Total<br>$ |
| Current assets | 42,924 | - | 42,924 | 96,324 | - | 96,324 |
| Investment | 297,000 | - | 297,000 | 297,000 | - | 297,000 |
| Total assets | 339,924 | - | 339,924 | 393,324 | - | 393,324 |

## 14. SUBSEQUENT EVENT

Subsequent to the period ended December 31, 2023, the Company arranged a non-brokered private placement consisting of the issuance of up to 4,700,000 units at a price of $0.05 per unit for gross proceeds of up to $235,000. Each unit will consist of one common share of the Company and one common share purchase warrant, with each warrant entitling the holder to purchase one share at a price of $0.07 per share for a period of two years following the closing of the offering.