

Engineer Gold Mines Ltd.



ENGINEER GOLD
MINES LTD.

EAU:TSX.V

FINANCIAL STATEMENTS

For the six months ended May 31, 2023

(Expressed in Canadian Dollars)

These unaudited condensed interim financial statements of
Engineer Gold Mines Ltd. for the six months ended May 31, 2023
have been prepared by management and approved by the Board of Directors.

These unaudited condensed interim financial statements
have not been reviewed by the Company's external auditors.

ENGINEER GOLD MINES LTD.
STATEMENT OF FINANCIAL POSITION
AS AT
(Expressed in Canadian Dollars)

	May 31, 2023	November 30, 2022
ASSETS		
Current		
Cash	\$ 1,083	\$ 107,522
Receivables	563	2,732
Prepaid expenses	<u>22,738</u>	<u>33,359</u>
Total Current Assets	<u>24,384</u>	<u>143,613</u>
Equipment (Note 4)	110,449	124,185
Reclamation Bonds (Note 5)	150,000	150,000
Related party receivables (Note 12)	36,646	36,320
Exploration and evaluation assets (Note 6)	<u>4,192,322</u>	<u>4,153,691</u>
Total Assets	<u>\$ 4,513,801</u>	<u>\$ 4,607,809</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Current		
Accounts payable	\$ 161,502	\$ 121,047
Accrued liabilities	425	18,580
CEBA Loan – current portion (Note 13)	20,000	20,000
Mortgage payable (Note 6)	50,000	50,000
Due to related parties (Note 12)	<u>126,446</u>	<u>85,994</u>
Total Current Liabilities	<u>358,373</u>	<u>295,621</u>
CEBA Loan (Note 13)	<u>30,000</u>	<u>29,758</u>
Total Liabilities	<u>388,373</u>	<u>325,379</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	6,471,563	6,417,683
Share-based payment reserves (Notes 7 and 8)	836,836	835,716
Deficit	<u>(3,182,971)</u>	<u>(2,970,969)</u>
Total Equity	<u>4,125,428</u>	<u>4,282,430</u>
Total Liabilities and Equity	<u>\$ 4,513,801</u>	<u>\$ 4,607,809</u>

Nature and continuance of operations (Note 1)

Approved on behalf of the Board:

“Andrew Rees” Director “Thomas Kennedy” Director

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

ENGINEER GOLD MINES LTD.
STATEMENT OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Three months ended May 31, 2023	Three months ended May 31, 2022	Six months ended May 31, 2023	Six months ended May 31, 2022
EXPENSES				
Amortization (Note 4)	\$ 6,868	\$ 8,945	\$ 13,736	\$ 17,889
Bank charges and interest (Note 13)	9,702	800	10,445	1,573
Filing and transfer agent fees	10,270	4,697	26,419	14,375
Management fees (Note 12)	25,000	15,000	70,000	30,000
Office and miscellaneous (Note 12)	13,477	12,794	26,832	25,484
Professional fees	13,366	7,005	13,366	10,398
Salaries and wages (Note 12)	12,147	24,311	24,791	47,980
Travel, trade shows and promotion	11,686	2,098	26,413	11,671
	<u>(102,516)</u>	<u>(75,650)</u>	<u>(212,002)</u>	<u>(159,370)</u>
OTHER (INCOME) EXPENSE				
Gain on settlement of accounts payable	-	(1,429)	-	(1,429)
Net loss and comprehensive loss for the period	(102,516)	(74,221)	(212,002)	(157,941)
Basic and diluted net loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)
Weighted average number of common shares outstanding	26,101,533	24,006,547	26,044,533	24,006,547

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

ENGINEER GOLD MINES LTD.**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

(Expressed in Canadian Dollars)

	Share Capital		Share-based payment reserves	Deficit	Total Shareholders' Equity
	Common Shares	Amount			
Balance, November 30, 2021	24,006,657	\$ 6,283,279	\$ 819,220	\$ (2,629,693)	\$ 4,472,806
Comprehensive loss for the period	-	-	-	(157,941)	(157,941)
Balance, May 31, 2022	24,006,657	\$ 6,283,279	\$ 819,220	\$ (2,787,634)	\$ 4,314,865
Balance, November 30, 2022	25,531,547	\$ 6,417,683	\$ 835,716	\$ (2,970,969)	\$ 4,282,430
Issue of shares for cash, private placements, net (Note 7)	570,000	55,880	1,120	-	57,000
Share issue costs – cash (Note 7)	-	(2,000)	-	-	(2,000)
Share consolidation - rounding	(14)	-	-	-	-
Comprehensive loss for the period	-	-	-	(212,002)	(212,002)
Balance, May 31, 2023	26,101,533	\$ 6,471,563	\$ 836,836	\$ (3,182,971)	\$ 4,125,428

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

ENGINEER GOLD MINES LTD.
STATEMENT OF CASH FLOWS
(Expressed in Canadian Dollars)

	Six Months ended May 31, 2023	Six Months ended May 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (212,002)	\$ (157,941)
Items not affecting cash:		
Amortization	13,736	17,889
Gain on government grant		-
Accretion on loan	242	1,352
Changes in non-cash working capital items:		
Receivables	1,843	(11,218)
Prepaid expenses	10,621	9,638
Accounts payable and accrued liabilities	<u>18,829</u>	<u>(78,286)</u>
Net cash used in operating activities	<u>(166,731)</u>	<u>(218,566)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation asset expenditures, net	(35,160)	(105,202)
Reclamation bond	<u>-</u>	<u>(50,000)</u>
Net cash used in investing activities	<u>(35,160)</u>	<u>(155,202)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares, net	55,000	-
Related party loans and advances, net of receivables	<u>40,452</u>	<u>21,381</u>
Net cash provided by financing activities	<u>95,452</u>	<u>21,381</u>
Change in cash during the period	(106,439)	(352,387)
Cash, beginning of the period	<u>107,522</u>	<u>554,346</u>
Cash, end of the period	<u>\$ 1,083</u>	<u>\$ 201,959</u>
Supplementary Cash Flow Information:		
Non-cash Financing and Investing Activities:		
Exploration and evaluation costs included in accounts payable and accrued liabilities	\$ 116,512	\$ 19,451
Fair value of share purchase warrants issued	\$ 1,120	\$ -

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Engineer Gold Mines Ltd. (the “Company”) was incorporated on January 17, 2018 under the laws of the Province of British Columbia, Canada. The Company obtained its initial listing on the TSX Venture Exchange (“TSX-V”) on June 26, 2018. The Company is an exploration stage junior mining company engaged in the identification, acquisition and exploration of mineral properties. The Company’s head office, principal address and registered records office is located at 804 – 750 West Pender Street, Vancouver, British Columbia, Canada V6C 2T7.

The Company’s financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets and related deferred costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of its mineral properties and upon future profitable production.

Several conditions cast doubt on the validity of this assumption. The Company has incurred losses since inception and has an accumulated deficit of \$3,182,971 at May 31, 2023. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Such adjustments would be material.

The ability of the Company to continue as a going concern and meet its commitments as they become due, including the acquisition and exploration of exploration and evaluation assets, is dependent on the Company’s ability to obtain the necessary financing. Management is planning to raise additional capital to finance operations and acquire mineral properties. The outcome of these matters cannot be predicted at this time. The ability of the Company to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of Compliance

These financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). They have been prepared on a historical cost basis, except for certain financial instruments which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. These financial statements are presented in Canadian dollars unless otherwise noted.

Approval of the financial statements

The financial statements of the Company for the six months ended May 31, 2023 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on July 13, 2023.

2. BASIS OF PRESENTATION (continued)

Critical Accounting Estimates and Judgments

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

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.
- ii) The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.
- iii) The recorded value of provisions. This amount represents a best estimate of the probable amount payable taking into account available evidence including past history of payments and uncertainty of outflow of future resources.

3. SIGNIFICANT ACCOUNTING POLICIES

Equipment

Equipment is recorded at cost less accumulated amortization, with amortization calculated on a declining balance basis at the following annual rates:

Field equipment	20%
Mobile equipment	30%
Leasehold improvements	10 years

Equipment that is withdrawn from use, or has no reasonable prospect of being recovered through use or sale, are identified and written off. The assets' residual values, amortization methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Subsequent expenditures relating to items of equipment is capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance.

Exploration and evaluation assets

All costs related to the acquisition of exploration and evaluation assets are capitalized on a property by property basis, net of recoveries. If economically recoverable ore reserves are developed, capitalized costs of the related property are classified as mining assets and amortized using the unit-of-production method. When a property is abandoned, all related costs are written off to operations.

The amounts shown for acquisition costs represent costs incurred to date and do not necessarily reflect present or future values. These costs are depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets (continued)

From time to time, the Company may acquire or dispose of an exploration and evaluation asset pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. Proceeds received on the sale of an option of the Company's property are recorded as a reduction of the mineral property cost. The Company recognizes amounts received in excess of the carrying amount in profit or loss.

Evaluation and exploration assets are assessed for impairment by management when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned, or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount.

The recoverability of the carrying amount of exploration and evaluation assets is dependent on successful development and commercial exploitation or alternatively the sale of the respective areas of interest.

Decommissioning liabilities

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production.

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged against operations through depreciation of the asset and unwinding of the discount on the provision.

Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset.

The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against operations as extraction progresses.

Changes in the measurement of a liability, which arises during production, are charged against profit or loss. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

Impairment of tangible assets

The Company's tangible and intangible assets are reviewed for indications of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible assets (continued)

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit or loss.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company computes the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Share-based payments

The Company grants options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes Option Pricing Model, and is recognized over the vesting period, if applicable, using the graded vesting method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes Option Pricing Model.

For both employees and non-employees, the fair value of share-based payments is recognized as an expense with a corresponding increase in reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment reserve is transferred to share capital.

Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in profit or loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss the period that substantive enactment occurs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Flow-through shares

On the issuance of flow-through shares, any premium received in excess of the closing market price of the Company's common shares is initially recorded as a flow-through premium liability and included as a liability. Upon related expenditures being incurred, the Company proportionately derecognizes the liability and recognizes the offsetting amount in profit or loss.

Financial instruments

The following is the Company's accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and 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 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.

The following table shows the Company's classification of financial assets and liabilities under IFRS 9:

Financial asset / liability	Classification under IFRS 9
Cash	FVTPL
Receivables	Amortized cost
Accounts payable	Amortized cost
Due to (from) related parties	Amortized cost
CEBA Loan	Amortized cost
Mortgage payable	Amortized cost

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(ii) Measurement

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 statements 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 loss and comprehensive loss in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in Other Comprehensive Income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

(iii) 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 statements 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.

(iv) 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.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

ENGINEER GOLD MINES LTD.
NOTES TO THE FINANCIAL STATEMENTS
SIX MONTHS ENDED May 31, 2023
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New or revised accounting standards not yet adopted

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements.

4. EQUIPMENT

		Leasehold Improvements	Mobile Equipment	Field Equipment	Total
Cost					
Balance at November 30, 2021		14,000	132,531	167,135	313,666
Additions		-	-	-	-
Balance at November 30, 2022	\$	14,000	\$ 132,531	\$ 167,135	\$ 313,666
Additions		-	-	-	-
Balance at May 31, 2023	\$	14,000	\$ 132,531	\$ 167,135	\$ 313,666
Accumulated amortization					
Balance at November 30, 2021		2,100	84,892	66,712	153,704
Amortization		1,400	14,292	20,085	35,777
Balance at November 30, 2022	\$	3,500	\$ 99,184	\$ 86,797	\$ 189,481
Amortization		700	5,002	8,034	13,736
Balance at May 31, 2023	\$	4,200	\$ 104,186	\$ 94,831	\$ 203,217
Net book value					
Balance at November 30, 2022	\$	10,500	\$ 33,347	\$ 80,338	\$ 124,185
Balance at May 31, 2023	\$	9,800	\$ 28,345	\$ 72,304	\$ 110,449

5. RECLAMATION BONDS

The Company has reclamation bonds held in trust by the Ministry of Energy and Mines, British Columbia, for indemnification of site restoration of the Company's Tagish Lake, Wann River, Gold Hill, and Tag properties, collectively referred to as the Engineer Project (Note 6). As at May 31, 2023, Company has posted reclamation bonds totalling \$150,000 (November 30, 2022 - \$150,000).

6. EXPLORATION AND EVALUATION ASSETS

Realization of assets

The investment in mineral properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

6. EXPLORATION AND EVALUATION ASSETS (continued)

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental issues related to any of its current or former properties that may result in a material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the properties may be diminished or negated.

Exploration and evaluation asset costs and activity is as follows:

	Engineer Project
November 30, 2021	\$ 3,928,040
Prepaid royalty	25,000
Assay	33,907
Camp	7,639
Equipment	44,683
Environmental	88,350
Geological	73,489
Reporting	25,492
Exploration Tax Credit	(72,909)
November 30, 2022	\$ 4,153,691
Camp	2,721
Environmental	2,276
Geological	32,941
Reporting	693
May 31, 2023	\$ 4,192,322

6. EXPLORATION AND EVALUATION ASSETS (continued)

Engineer Project, British Columbia

The Engineer Project is made up of claims and crown grants located in the Atlin Mining Division of British Columbia. The project includes multiple project areas referred to as Engineer Project.

In 2017, the Company acquired a 100% interest in the Gold Hill property. The Gold Hill property has a 3.0% Net Smelter Return (NSR) payable to Guardsman Resources Inc., 1.5% of which can be purchased by the Company for \$1,500,000.

Crown grants were acquired in September 2020 with a purchase price of \$250,000 plus \$10,111 paid for taxes on the property. A mortgage was outstanding for \$200,000; \$100,000 paid March 31, 2021, \$50,000 paid in June 7, 2022 and \$50,000 mortgage payable October 31, 2023. An interest of 15% per annum will only be charged in an event of default.

The Tag Property was acquired in February 2021, with the following terms:

Completed:

- a) \$200,000 cash: \$100,000 - paid July 31, 2020 and \$100,000 - paid March 29, 2021;
- b) 2,000,000 common shares - issued February 25, 2021 with a fair value of \$120,000; and
- c) \$50,000 in advance royalty payments: \$25,000 paid in 2021 and \$25,000 paid in 2022;

Outstanding:

- d) \$200,000 in advance royalty payments over eight years; 2023 – 2031 payable in cash or shares;
- e) A 1.0% NSR royalty, which can be purchased by the Company for \$1,000,000 in cash; and
- f) An underlying NSR royalty of 2.5% from a predecessor agreement.

7. SHARE CAPITAL

On May 31, 2023, the Company consolidated its share capital on a 4 to 1 basis. The Company now has a total of 26,101,533 common shares issued and outstanding. Numbers of shares presented in these financial statements have been adjusted for this 4:1 share consolidation. All share references, numbers of options, numbers of warrants, and per share amounts included in these financial statements have been restated to reflect the consolidation.

Authorized: Unlimited number of common shares without par value.

Issued during the period ended May 31, 2023:

On December 21, 2022, the Company closed a non-brokered private placement of 570,000 units at \$0.10 per unit for gross proceeds of \$57,000. Each unit entitles the holder to receive one common share of the Company and one common share purchase warrant, with each warrant exercisable to acquire one common share of the Company at a price of \$0.40 per share for a period of 60 months. If the Company's common shares have a closing price of 60 cents or more per share for 10 consecutive trading days on the TSX-V, the Company shall be entitled to give notice via a news release that the warrants issued pursuant to this placement will expire 30 days from the date of the news release. The Company paid commissions of \$2,000 and issued 20,000 finders warrants exercisable to purchase one common share of the Company at a price of \$0.40 per share for a period of 60 months. The fair value of finders warrants was estimated at \$1,120 using the Black-Scholes Option Pricing Model with the following assumptions: i) exercise price per warrant of \$0.40; ii) expected share price volatility of 103%; iii) risk free interest rate of 3.71%; iv) no dividend yield and v) expected life of 5 years.

7. SHARE CAPITAL (continued)

Issued during the year ended November 30, 2022:

On November 10, 2022, the Company closed a non-brokered private placement tranche of 1,525,000 units at \$0.10 per unit for gross proceeds of \$152,500. Each unit entitled the holder to receive one common share of the Company and one common share purchase warrant, with each warrant exercisable to acquire one common share of the Company at a price of \$0.40 per share for a period of 60 months. If the Company's common shares have a closing price of 60 cents or more per share for 10 consecutive trading days on the TSX-V, the Company shall be entitled to give notice via a news release that the warrants issued pursuant to this placement will expire 30 days from the date of the news release. The Company paid commissions of \$11,600 and issued 116,000 finders warrants exercisable to purchase one common share of the Company at a price of \$0.40 per share for a period of 60 months. The fair value of finders warrants was estimated at \$6,496 using the Black-Scholes Option Pricing Model with the following assumptions: i) exercise price per warrant of \$0.40; ii) expected share price volatility of 103%; iii) risk free interest rate of 3.71%; iv) no dividend yield and v) expected life of 5 years.

Share-based payment reserves

The share-based payment reserves represents the fair value of finder's warrants and stock options until such time that the share-based instruments are exercised, at which time the corresponding amount will be transferred to share capital.

8. STOCK OPTIONS

The Company has a rolling stock option plan (the "plan") that authorizes the board of directors to grant incentive stock options to directors, officers, consultants and employees, whereby a maximum of 10% of the issued common shares are reserved for issuance under the plan.

A summary of the changes in options follows:

	Number of Options Outstanding	Weighted Average Exercise Price
Balance, November 30, 2021 and 2022	787,500	\$ 0.48
Expired	(125,000)	\$ 0.40
Balance, May 31, 2023	662,500	\$ 0.48

As at May 31, 2023 the following options were outstanding and exercisable:

Total Number of Options	Exercise Price	Expiry Date
662,500	\$ 0.48	July 23, 2023

As at May 31, 2023 the weighted average remaining contractual life of the stock options was 0.15 years and the weighted average exercise price was \$0.48 (May 31, 2022 – 1.11 years and \$0.48).

During the year ended November 30, 2022, the Company entered into a consulting agreement with a company controlled by a director and officer of the Company. The Company was to grant the consultant 250,000 stock options, which were never granted. As such, these options are not reflected in the total number of options outstanding. The fair value of the options of \$10,000 was recorded as stock-based compensation and was estimated with a measurement date of November 30, 2022 using the Black-Scholes Option Pricing Model with the following assumptions: i) exercise price per share of \$0.40; ii) expected share price volatility of 106%; iii) risk free interest rate of 3.64%; iv) no dividend yield; v) expected life of 3 years; and vi) fully vested on grant.

9. WARRANTS

A summary of the changes in warrants follows:

	Number of Warrants Outstanding	Weighted Average Exercise Price
Balance, November 30, 2021	11,099,042	\$ 0.52
Issued	1,641,000	0.40
Expired	(888,100)	0.56
Balance, November 30, 2022	11,851,942	\$ 0.48
Issued	590,000	0.40
Expired	(337,334)	0.36
Balance, May 31, 2023	12,104,608	\$ 0.44

As at May 31, 2023 the following share purchase warrants were outstanding:

Total Number of Warrants	Exercise Price	Expiry Date
950,000	\$ 0.60	June 1, 2023 *
1,467,500	\$ 0.48	April 21, 2024
148,750	\$ 0.36	April 21, 2024
1,281,250	\$ 0.48	May 15, 2024
170,375	\$ 0.36	May 15, 2024
1,250,000	\$ 0.48	June 10, 2024
103,250	\$ 0.36	June 10, 2024
698,750	\$ 0.60	July 4, 2024
181,250	\$ 0.48	July 22, 2024
400,000	\$ 0.60	August 7, 2024
514,150	\$ 0.60	September 7, 2024
1,520,834	\$ 0.32	January 16, 2025
145,833	\$ 0.48	January 16, 2025
1,041,667	\$ 0.32	January 24, 2025
1,641,000	\$ 0.40	November 11, 2027
590,000	\$ 0.40	December 21, 2027
12,104,608		

* These Warrants expired unexercised on June 1, 2023

As at May 31, 2023 the weighted average remaining contractual life of the share purchase warrants was 1.72 years and the weighted average exercise price was \$0.45 (May 31, 2022 – 1.46 years and \$0.52).

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair value of cash held by the Company was based on level 1 inputs of the fair value hierarchy.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfil its payment obligations. The Company believes it has no significant credit risk. Credit risk on cash is assessed as low. There is nominal risk associated with receivables as this is primarily from a government agency and from related parties.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and seeking equity financing when needed. All the Company's financial liabilities have contractual maturities less than 30 days and are subject to normal trade terms. The Company is exposed to liquidity risk which has been assessed as high.

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. The Company is not exposed to market risk as all of the Company's financial assets and liabilities are denominated in Canadian dollars and there are no debts that would be affected by interest rate changes. As such, market risk has been assessed as low.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company's cash is held in an account with a major Canadian financial institution. The funds may be withdrawn at any time without penalty. Given the short-term nature of the Company's financial instruments, fluctuations in interest rates do not have a significant impact on estimated fair values as at the statement date.

Foreign 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 foreign exchange rates. The Company does not have assets or liabilities in a foreign currency and therefore is not exposed to foreign currency risk.

Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potentially adverse impact on the Company's ability to obtain equity financing due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

11. CAPITAL MANAGEMENT

The Company defines its capital as shareholders' equity. Capital requirements are driven by the Company's exploration activities on its exploration and evaluation assets. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget all exploration projects and overhead to manage costs, commitments and exploration activities.

11. CAPITAL MANAGEMENT (continued)

The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this financing due to uncertain economic conditions. The Company believes that it will be able to raise sufficient funds from share issuances to fund its working capital for the coming year. The Company is not subject to any externally imposed capital requirements. There have been no changes to the Company's approach to capital management during the period.

12. RELATED PARTY TRANSACTIONS

- a) The Company incurred the following expenses charged by key management personnel and companies controlled by key management personnel. Such personnel include the Company's Directors, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Corporate Secretary.

	May 31, 2023	May 31, 2022
Management fees by director and officer	\$ 70,000	\$ 30,000
Administration fee by officer	8,250	16,500
Salaries to director and officer	9,000	28,800
Total	\$ 87,250	\$ 75,300

- b) Due to related parties balances consist of the following:

	May 31, 2023	November 30, 2022
Officers	\$ 121,938	\$ 82,500
Major shareholder	4,508	3,494
Total	\$ 126,446	\$ 85,994

The amounts due to the related parties have no specific terms of repayment, are unsecured and non-interest-bearing. The amount due to a company controlled by a major shareholder is included in accounts payable and accrued liabilities.

- c) The Company charged \$23,256 (May 31, 2022 - \$23,180) and is owed \$36,646 (November 30, 2022 - \$36,320) for accounting services provided to two public companies related by common directors. This was recorded as a reduction of salaries and wages in the statement of loss and comprehensive loss. The amounts due from related parties have no specific terms of repayment, are unsecured, and non-interest bearing.

13. CEBA LOANS

The Company received a Canada Emergency Business Account (“CEBA”) interest-free loans of \$60,000 (November 30, 2023 - \$60,000) of which \$10,000 is forgivable if repaid by December 31, 2023 and \$20,000 is payable on demand. The loans were recorded at fair value using an effective rate of 10%, considering the grant, the interest-free loan and the forgivable portion. The residual value of \$16,743 was recorded as other income in the year of issue. For the period ended May 31, 2023, interest of \$242 (May 31, 2022 - \$676) has been recognized in the statement of loss and comprehensive loss and a balance of \$30,000 (November 30, 2023 - \$29,758) is recorded as a long-term loan. Effective January 1, 2024, any outstanding balance on the loan shall bear interest at a rate of 5% per annum. The loan matures on December 31, 2025.